IMPORT DISPLACEMENT FOR RED MEATS WITHIN THE HOTEL, RESTAURANT AND INSTITUTIONAL INDUSTRY IN BRITISH COLUMBIA

Province of British Columbia
Ministry of Agriculture and Food
MARKET RESEARCH AND ANALYSIS

IMPORT DISPLACEMENT FOR RED MEATS WITHIN THE HOTEL, RESTAURANT AND INSTITUTIONAL INDUSTRY IN BRITISH COLUMBIA

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PREFACE AND ACKNOWLEDGEMENTS

The social phenomena of eating away from home has significantly influenced food marketing over the past few decades. This continuing trend for consumers to spend a large portion of their food dollars outside the home has changed technology, standards, form, services and marketing in the food industry.

In response to a demonstrated interest by several B.C. food producer groups, the Market Research and Analysis Unit has undertaken this project as a primary step in evaluating the potential of the Producer and Processor sectors of the B.C. food industry to supply the respective requirements of the Hotel, Restaurant and Institutions in this province.

This report represents phase one of the project. It is intended that the remaining commodities will be analyzed under the general sections of produce, frozen foods and general food items.

Lynn Oldeheuvel, Research Officer with the unit, has been primarily responsible for assembly and research contained in this report. Donna Farquhar has undertaken the essential task of transferring handwritten drafts to publication copy. Sincere thanks is extended to these staff members for their conscientious efforts. The fine co-operation of all those persons who have so generously contributed information and time is deeply appreciated. Their names appear in the list of participants.

It is the intention that this work provide a stimulus for British Columbia red meat producers and processors; further inquiries can be directed to Lynn or myself at any time.

R. J. Alcock, Supervisor
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and veal, many purveyors are acting simply as brokers, importing boxed primal cuts and shipping directly to end users without altering the product in any way. Purveyors face similar cost and benefit decisions as those of slaughter facilities. Several purveyors cannot absorb the costs of storing, breaking down entire carcasses and marketing residual cuts that are not demanded by their clientele.

Import Displacement Potential for B.C.'s HRI Market: Beef

Of the major purveyors surveyed in the Vancouver market, beef represented 70-75% of total meat volumes handled for HRI accounts. The majority of purveyors interviewed were sourcing all or a major percentage of their beef requirements from Alberta. A number have imported on an intermittent basis from the U.S. In these instances, price, inventories and the exchange rate have been attractive at the time of purchase. An estimated 4,000,000 lbs of B.C. beef (dairy culls, trimmings from box beef packs, etc.) is used annually by purveyors who supply portioned patties and bulk ground beef to fast food chains. This figure is a conservative estimate at best, and will fluctuate considerably with the availability of slaughter cows and bulls. Purveyors interviewed stressed the necessity to supply marbled beef to HRI end users. The majority of purveyors suggested the B.C. livestock industry is producing a retail product. In order to displace a percentage of the beef imported from Alberta for the HRI market, B.C. producers must be prepared to provide a consistent volume of A2 cattle slaughtered into primal cuts at competitive market prices.

Import Displacement Potential for B.C.'s HRI Market: Veal

Discussions with HRI purveyors surveyed in this study revealed that import displacement potential for veal is indeed feasible given that a number of key criteria are met locally. Of the purveyors interviewed, veal represented 5-8% of the total meat volume handled for HRI sales. Several suggested that this volume has strong growth potential given (a) rapid growth in demand from their clientele and (b) strong value added sales generated by servicing veal to larger clients. Of the six major purveyors interviewed who were handling veal in appreciable volume, four are currently sourcing the product from competing areas of supply. Eastern Canada (Montreal and Toronto) figures prominently as B.C.'s largest competitive market for supply of veal to the HRI trade. A minimum of 5000 - 7000 pounds weekly is imported from Eastern Canada for distribution within the Vancouver HRI market. Veal imported from Eastern Canada is predominantly Provimi, white, chilled hinds, saddles and strip loins (Cryovac).

Incentive to source veal from competing markets is currently based on service for cost. Few purveyors have capital and labour assets sufficient to absorb the costs of breaking carcasses and establishing markets for fronts when

EXECUTIVE SUMMARY

Over the last ten years, the foodservice industry has shown considerable growth in B.C. Industry sources currently estimate the number of viable foodservice outlets (including fast food, medium, family and white tablecloth restaurants) at 1500-2000 compared to 960, ten years ago. Demographic and social trends within B.C. and the balance of the country infer sustained growth in the hotel, restaurant, and institutional sector of the food industry.

By identifying purchasers, market channels, product specifications, supply sources, volumes and services purchases, a clear picture of the needs and wants of this sector of the food industry will be established and import displacement potentials for B.C. producers and processors will, hopefully, be apparent.

Characteristics of the B.C. Livestock Industry

B.C.'s livestock industry is characterized by a number of key factors. Production of finished, dressed stock ready for slaughter in all sectors (beef, pork, lamb, veal) is small by comparison to the largest production areas in Canada. As such, B.C. producers have an overall, minor effect on market prices. A major volume of B.C. livestock, primarily cattle, is shipped out of the province to Alberta for finishing. Labour and energy costs are generally higher in B.C. than in Alberta and this reduces the competitive advantage of local producers. The limited number of slaughter facilities in B.C. and the small degree of carcass breakdown they collectively can provide, is a crucial element to consider if imports for the HRI market are to be displaced to any appreciable degree.

Meat Purchasing Channels for the HRI Market in B.C.

Analysis of the market channels for distribution of meat and meat products to the HRI trade in B.C. reveals three distinct segments. Once animals leave the farmgate, they must pass through slaughtering facilities, a purveyor or broker and ultimately to the end user.

Within this second segment, "purveyors or brokers", there exists a considerable range. There are a number of small independent brokers who deal with a very limited clientele (1-5 restaurants) and offer what is essentially a specialized procuring and butchering service. The core of this second segment however, is composed of 8-10 major meat purveyors, located in the Vancouver, Richmond area, who deal almost exclusively with the HRI trade (over 80% of total sales to HRI end users). The primary function of this core group is to receive meat in the form of carcasses, sides and/or boxed primal cuts, age it and further process it on site to meet the specifications demanded by their clientele. In the case of lamb

their clientele is using exclusively hinds. As veal represents only 5-8% of total red meat volume handled by most HRI purveyors, it does not assume priority status in terms of time and capital investment.

Import Displacement Potential for B.C.'s HRI Market: Lamb

Among the purveyors surveyed, lamb represented approximately 5% of total meat volume handled for HRI clientele. The HRI Market is using primarily racks and loins. Most purveyors are acting in a service and brokerage capacity for their clientele, purchasing lamb either frozen or chilled, already processed. Minimal if any reprocessing is done at the purveyors' plant. Depending on the percentage breakdown of clientele, and seasonal availability, purveyors will further process primal cuts into portioned racks and chops.

The highly organized and efficient distribution channel established by the New Zealand Lamb Board in the Vancouver market places local producers at a distinct competitive disadvantage in the frozen lamb market. Production of lamb in New Zealand is highly regulated. Quality is monitored rigidly and without exception, B.C. HRI purveyors reinforced the consistent quality and uniform sizing of the product.

As with veal, limited carcass breakdown occurs at slaughter facilities. As the HRI trade is using primarily racks and loins, the problem of marketing the balance of the carcass emerges once again. Few purveyors are handling sufficient lamb volumes to justify the expense of breaking carcasses themselves and sourcing alternate markets to absorb the balance of the animal not used by their clientele. As well, supply of local lamb is currently so erratic, that establishment of market channels to distribute residual cuts is hardly practical. In order to supply the HRI trade in B.C., which consumes approximately 600,000 lbs. of lamb racks per year, the production level of B.C. producers would first have to be increased to about 150,000 lambs per year (1,030,000 lbs.).*

Import Displacement Potential for B.C.'s HRI Market: Pork

Among the majority of HRI purveyors surveyed, pork represented a minimal percentage of total meat handled for HRI accounts (less than 5% in most cases). Most purveyors handling pork are doing so in a service or brokerage capacity, ordering cuts specified by their clientele and rerouting with minimal or no reprocessing. Cuts specified by HRI end users are portioned spareribs, backribs, chops and roasts. Producers must acknowledge that because of the small volumes purchased, and the generally consistent quality of pork available in Alberta, B.C.'s major competing market, price and service are the crucial purchasing requirements.

* B.C. Sheep and Lamb Marketing Opportunities Study
Don Ference & Associates, 1983

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INTRODUCTION

Over the last ten years, the foodservice industry has shown considerable growth in B.C. Industry sources currently estimate the number of viable foodservice outlets (including fast food, medium, family restaurants, white tablecloth / exclusive restaurants) at 1500 - 2000. Over the last three years strong growth has been evidenced in fast food outlets and medium sized/family restaurants.

Latest Statistics Canada figures estimate B.C.'s dollar value for receipts of licensed restaurants, unlicensed restaurants (including chains), takeouts, caterers, and taverns at $119,822,000 in August of 1982 (see table 1). B.C. represented 13% of the total Canadian industry which had receipts totalling $906,254,000 in August 1982. As Statistics Canada only began to extensively categorize restaurant types in their monthly receipt monitoring early 1981, a comprehensive time series analysis of growth trends is not yet possible. We are however, able to position the various restaurant types in B.C. and observe their relationship to the Canadian industry as a whole. As table 1 indicates, receipts of licensed restaurants have accounted for 45-61% of total receipts in B.C. over the last 20 months. Receipts in this category dropped significantly at the start of 1982, and maintained a lower profile throughout much of the year (data is only available to August 1982).

In 1981, B.C. receipts from licensed restaurants accounted for an average of 18.3% of the Canadian total in this category. In early 1982, B.C.'s share of total Canadian receipts in this category dropped significantly and averaged 13.3% throughout the balance of the year.

Table 1 Monthly Estimated Restaurant, Caterer and Tavern Receipts, by kind of Business, Canada and Provinces. 1981/1982 (000's of $)

Date	Licensed Restaurants	Unlicensed Restaurants	Takeouts	Caterers	Taverns	Total
January 81						
B.C. Receipts (1)	$ 56,798	$ 24,648	$ 7,560	$ 6,987	$ 4,245	$100,240
Canadian Receipts (2)	298,452	164,448	101,976	62,326	38,016	665,219
BC % of Cdn Receipts (3)	19 %	15%	7 %	11 %	11 %	15 %
% of total BC Receipts (4)	57%	25%	8 %	7%	4%	100 %
March 81						
(1)	60,215	23,578	7,062	6,458	5,056	102,461
(2)	312,882	183,993	105,251	65,575	41,396	709,098
(3)	19%	13%	7%	10%	12%	14%
(4)	59%	23%	7%	6%	5%	100%
June 81						
(1)	76,191	24,561	8,542	10,099	6,511	125,906
(2)	370,029	214,501	139,968	76,781	47,127	848,409
(3)	21%	11%	6%	13%	14%	15%
(4)	61%	20%	7%	8%	5%	100%
September 81						
(1)	64,603	23,315	7,732	9,328	6,454	111,433
(2)	355,500	201,019	99,910	73,289	45,823	775,542
(3)	18%	12%	8%	13%	14%	14%
(4)	58%	21%	7%	8%	6%	100%
January 82						
(1)	43,905	22,257	7,810	8,199	8,261	90,433
(2)	305,627	171,493	83,830	61,451	46,556	668,959
(3)	14%	13%	9%	13%	18%	14%
(4)	49%	25%	9%	9%	9%	100%
March 82						
(1)	42,905	24,889	7,995	8,789	9,074	93,654
(2)	327,193	188,625	86,879	71,847	51,103	725,650
(3)	13%	13%	9%	12%	18%	13%
(4)	46%	27%	9%	9%	10%	100%
June 82						
(1)	49,581	28,427	9,282	13,605	10,299	111,196
(2)	385,373	233,417	113,263	75,177	57,988	865,221
(3)	13%	12%	8%	18%	18%	13%
(4)	45%	26%	8%	12%	9%	100%
August 82						
(1)	57,358	32,156	9,250	11,249	9,809	119,822
(2)	412,783	255,090	115,407	64,384	58,588	906,254
(3)	14%	13%	8%	17%	17%	13%
(4)	48%	27%	8%	9%	8%	100%

NOTE: Numbers may not add due to rounding

Source: Statistics Canada, Monthly, 63-011, ISSN 0226-2320 January 1981-August 1982 inclusive

As industry sources suggest, growth is evident in the unlicensed restaurant category including chain restaurants which have triggered much of the expansion. In 1981, unlicensed restaurants accounted for an average 22% of total B.C. restaurant receipts. For the first eight months of 1982, average percentage share increased to 26%. In relation to the Canadian industry, receipts from B.C.'s unlicensed restaurants have averaged 13% of total Canadian receipts in this category for the last 20 months.

B.C. has the third largest total receipts per category in most instances with Ontario and Quebec ranking first and second respectively. Despite the restrictive economic climate over the last two years, the restaurant industry in B.C. has maintained positive net growth. Multiple spin-off benefits to affiliated industries are obvious.

This paper represents Phase I of a four phase report that will form an analysis of the food purchasing habits of B.C.'s hotel, restaurant and institution industry. By identifying purchasers, market channels, product specifications, supply sources and purchased volumes and services (where feasible), a clearer picture of the needs and wants of this rapidly growing sector of the food industry will be established and potentials for B.C. producers/processors to further penetrate this market will be highlighted. Because of the wide variety of products purchased for this industry and hence the diversity in market channels, it is apparent that a comprehensive profile of the total market can only be obtained by analyzing major segments individually. For this reason this project has been divided into four product sections; meat, produce, frozen foods, and general food items. This paper will deal with MEAT purchasing habits of the hotel, restaurant and institutional industry in B.C.

SOCIO ECONOMIC FACTORS AFFECTING THE HOTEL RESTAURANT AND INSTITUTIONAL (HRI) INDUSTRY

Numerous economic and social factors will influence projected growth in the Hotel, Restaurant and Institutional Industry sector of B.C.'s food industry during this decade. Certainly the current economic recession in Canada, particularly in B.C. and other western provinces where recent performance in resource industries has been markedly poor, will temper investment and consumer spending to some extent. The food-service industry as a whole is energy, labor and capital intensive and as such is subject to considerable fluctuation in an unstable economic climate.

Purchasing habits reflect price and service as crucial competitive factors among fast food chains and medium size family restaurants in this economy. The exclusive white tablecloth restaurants tend to maintain product quality as their major purchasing criteria because their clientele are fairly constant and able to absorb cost increases more readily. The institutional trade, perhaps the most price conscious of the HRI sector, becomes more so as fixed costs escalate. Recent dramatic increases in energy costs have made caterers to the transportation industry fiercely competitive with bids for airline contracts based tightly on price and service.

Increased energy and labor costs may imply a number of long term changes in the purchasing habits of the foodservice industry. Costs of importing goods from distant markets will undoubtedly accelerate and purchasers may begin to increase their use of domestic supplies given competitive quality, price and service (guaranteed supply). Use of portion-controlled products and prepared dishes that require reduced energy (re--shorter cooking times) and limited expertise to prepare (reduced labor costs with lower skill levels required) may well increase. Purchasers may increase buying frequency as interest rates push up the costs of maintaining high inventories.

TABLE 2 BRITISH COLUMBIA POPULATION PROJECTIONS 1982-2001

Age	1982	% OF TOTAL	1991	% OF TOTAL	1996	% OF TOTAL	2001	% OF TOTAL
0- 4	195677	7%	194944	6%	187996	6%	191075	5%
5-14	383328	14%	422356	13%	418397	13%	408697	12%
15-19	228227	8%	198745	6%	222435	7%	222677	6%
20-29	499084	18%	489623	16%	449032	13%	463778	13%
30-39	449232	16%	572289	18%	588857	18%	554127	16%
40-49	291170	11%	454641	14%	548246	16%	595746	17%
50-59	265911	10%	293729	9%	352360	11%	469188	13%
60-64	116143	5%	135072	4%	139718	4%	154374	4%
65-69	99946	4%	125558	4%	131517	4%	136949	4%
70+	196037	7%	253470	8%	292532	9%	307808	9%
TOTAL	2,724,748		3,140,424		3,331,085		3,504,416	

FORECASTED CHANGES IN THE COMPOSITION OF B.C.'S POPULATION 2001/1982

AGE	1982 % OF TOTAL POPULATION	2001 % OF TOTAL POPULATION	% CHANGE 2001/1982
0- 4	7%	5%	-2%
5-14	14%	12%	-2%
15-19	8%	6%	-2%
20-29	18%	13%	-5%
30-39	16%	16%	---
40-49	11%	17%	+6%
50-59	10%	13%	+3%
60-64	5%	4%	-1%
65-69	4%	4%	---
70+	7%	9%	+2%
TOTAL POPULATION:	2,724,748	3,504,416	+29%

(figures have been rounded)

SOURCE: B.C. Research Population Model
Statistics Canada June 1 Census Data
B.C. Division of Vital Statistics Calendar Year Data September, 1979

Shifts in the demographic composition of the province will influence future investment decisions in the HRI industry. Analysis of provincial population forecasts suggest a number of significant changes in population concentrations within the next two decades. Perhaps of greatest significance to HRI investors are forecasted developments in the 20-39, 40-59 groups. Currently the 20-39 group represents 34% of B.C.'s total population. This is forecasted to decrease to 29% in 2001, while the 40-59 segment which currently accounts for 21% of the total population is expected to increase 30% in 2001. This reversal of population concentrations has a number of major implications for the HRI industry. The 20-39 age group is the target market for family restaurants, medium priced dining establishments, and chain outlets. Restaurants that aim advertising, menus, atmosphere, service and prices at families with young children rely on this population segment as their clientele base. Also included in this group are young, single, employed men and women, and young marrieds. Single person households in Canada are currently spending one out of every two food dollars away from home. The increasing trend to eating away from home within the 20-39 age group is motivated not only by time economies but by social needs as well. Provisions of entertainment and atmosphere has been a key ingredient in the growth of restaurants catering to this age group. Many outlets, especially chains, focus their marketing thrust on the "fun, relaxed" atmosphere they offer. Many locate in suburbs, near shopping centres and apartment dwellings intent on pulling in clients from daily surroundings. The idea is to facilitate the decision to "go out for dinner" by minimizing driving distances and providing an atmosphere in which one does not have to "dress up". The emphasis is on creating a well rounded, high quality dining experience within the budget and lifestyle parameters of this age group. Chain restaurants in particular view demographic trends as key market indicators and involve themselves extensively in research in this area. While taste preferences are varied, and certainly developing at a rapid pace with media influence, clients in the 20-39 segment are, as stated, purchasing entertainment as well as food.

The emphasis is significantly different within the 40-59 segment. Clients in this group are generally in a higher income bracket, young children are not usually involved in their dining out experiences and tastes are generally more sophisticated.*

This population segment forms the focus market for the white tablecloth restaurant. Redirection of population concentrations into this segment infers a number of long-term changes in the restaurant industry. As the emphasis shifts away from providing "fun entertainment-type" dining experiences to offering an extensive gourmet meal to a wealthier and more discerning clientele, accompanying considerations such as menu design, product supply and presentation take on new priorities and dimensions. In terms of meat purchases, the subject of this analysis, increasing pressure is likely to be placed on purveyors to provide a broader product list. We could see a shift away from the consistent quality and presentation focus of the chain establishment (i.e. central volume purchasing to guarantee a consistent product in all outlets of a chain) to a climate in which several independent restaurants compete to offer unique and innovative dining atmospheres.

An aging population has implications beyond the restaurant sector of the HRI industry. Increased usage of institutions , e.g. nursing homes, hospitals, etc. is inevitable. Within the 20-39 age group are the children of the post war baby boom who are now in their reproductive years. Children 0-5 years are forecasted to maintain their 6% representation of the total population until 1996, and hence sustained use of schools, hospitals, etc. can be anticipated.

As a major segment of the population moves into the 40-59 age group where disposable incomes are often higher, the potential for increased travel for both business and pleasure is heightened. Business travel, the major airline and hotel profit generator, is likely to emanate from this "executive level" age group.

* B.C. Research Population Projections - 1979-2001
Glen C. Forrester, Stan Chow,
B.C. Research #5-04-708, September/1979

A number of significant changes in the Canadian lifestyle have occurred in post World War II years. Average household size is forecast to decrease from 3.3 persons in 1976 to 2.8 in 1991, single households will increase 13% in the next 10 years, and single parent households will increase by 28%. During the next 10 years, 85% of Canadians will be living in urban centres.* Of particular note is the change in the composition of the Canadian labor force. The number of working women has increased dramatically over the last 15 years. In 1966, women represented 31% of the total Canadian labor force, in 1970, 34% and in 1981, 41%. In 1966, 35% of the total Canadian female population (over the age of 15) was employed, in 1970, 38% were employed and by 1981 the percentage increased to 52%.** A significant change in Canadian food purchasing and consumption patterns has accompanied these developments. As time commitments have become increasingly complex, so have daily schedules within the family unit. Reliance on meals away from home, microwave ovens, convenience foods, frozen foods, etc accelerated.

**COMPOSITION OF CANADIAN LABOUR FORCE

Total Female Labour Force 15 yrs. +		Total Labour Force 15+		% Female Wk.
1966	2,346,000	1966	7,493,000	31%
1970	2,824,000	1970	8,395,000	34%
1981	4,811,000	1981	11,830,000	41%

Total Female Population 15+		% of Working Women
1966	6,630,000	35%
1970	7,366,000	38%
1981	9,329,000	52%

Source: Statistics Canada

* Agriculture Canada
Food Advisory Division
"The Food Basket"
Release September/October, 1981

Today's consumers consider a broad spectrum of factors when purchasing food for consumption at home or in restaurants. The relationship between nutritional eating patterns and healthy bodies has been emphasized with unprecedented enthusiasm within the last ten years. As the traditional three square meals a day has given way to complex and accelerated lifestyle in which independent family members may have as many as six or seven food contacts per day, traditional food sourcing methods have changed. The inclination to source food away from home has increased dramatically. Women are no longer the sole major food purchasers for the family unit, the balance being sourced independently, and increasingly often, away from home. Tremendous potential exists for the HRI industry to tap this market.

Rapid growth in the media network, increased immigration and world travel has introduced Canadians to a variety of new stimuli. British Columbians, like other Canadians have learned to appreciate ethnic cuisine especially Oriental, Italian, Greek and Mexican.*

Potential exists for meat producers to introduce their products through foodservice outlets in a host of new and variable ways. Meat products with historically low per capita consumption figures such as lamb are discovering new avenues of distribution through ethnic cuisine restaurants. As a case in point, Greek restaurants, large lamb users, have increased in popularity in the Vancouver market alone.

Agriculture Canada statistics on Weekly Food Expenditures by family, indicate a growth in the percentage of food dollars spent away from home. In 1974, 25% of total weekly food dollars was spent away from home as compared to 31% in 1978. While more recent figures have yet to be published, analysts tend to concur that there has been no decline in this figure.**

*Agriculture Canada
Food Advisory Division
Ottawa
"The Food Basket"
Release September/October 1981

**Agriculture Canada, Marketing and Economics Branch
Handbook of Food Expenditures, Prices and Consumption,
December 1981.

As table 3 indicates, B.C. has the third largest total personal disposable income in Canada rising from $11,000,000 in 1974 to $23,759,000 in 1980. The percentage of disposable income (Canadian average) spent on food at home has declined from 13.68% in 1974 to 13.16% in 1980. Expenditures for food away from home base accounted for 4.5% of disposable income for the 1974-1980 period, thus implying a net increase (see table 4).

As table 5 indicates, per capita restaurant expenditures in B.C. totalled $127.36, in 1979, exceeding the national average of $125.56. Of particular note however, is the marked percentage increase in B.C.'s per capita restaurant expenditures during the 1974-1979 period (latest figures compiled by Statistics Canada). B.C.'s per capita restaurant expenditure rose 55% during this period, the highest provincial percentage increase. Industry sources suggest that per capita restaurant expenditures in B.C. have continued to demonstrate significant positive growth.

Meal receipts in B.C. hotels (see table 6) totalled $167,286,000 for 1980. With the third largest provincial receipts, B.C. accounted for 19% of total Canadian hotel meal receipts. Again of note, is the percentage increaase in receipts over time. Saskatchewan and B.C. had the largest percentage increase in hotel meal receipts (+38%) from 1978-1980.

B.C.'s food industry is a growing, viable sector of the provincial economy that merits closer analysis. Demographic and social trends within B.C. and the rest of the country point to long term growth in the foodservice industry. As costs of purchasing goods and maintaining market channels over large geographical areas escalate, the impetus to source products domestically strengthens. This report will profile existing channels for meat distribution within the foodservice industry in B.C. and will illustrate potentials and constraints for B.C. livestock producers wishing to penetrate this market.

Table 3 PERSONAL DISPOSABLE INCOME, GEOGRAPHICAL DISTRIBUTION, 1974-1980

YEAR	CANADA	NFLD.	P.E.I.	N.S.	N.B.	QUE.	ONT.	MAN.	SASK.	ALTA.	B.C.	YUKON N.W.T.	FOREIGN COUNTRIES
1974	94,545	1,609	341	2,760	2,101	23,305	37,853	4,162	3,822	7,289	11,000	227	76
1975	110,996	1,912	423	3,197	2,577	27,285	43,770	4,955	4,802	8,961	12,757	269	88
1976	125,510	2,158	464	3,613	2,864	31,392	49,126	5,400	5,194	10,278	14,612	313	96
1977	138,094	2,376	507	4,041	3,131	33,802	54,368	5,939	5,299	11,734	16,436	355	106
1978	154,623	2,565	604	4,576	3,504	37,545	60,664	6,661	5,992	13,540	18,459	395	118
1979	172,308	2,852	653	5,057	3,813	41,567	66,985	7,179	6,707	16,083	20,841	445	126
1980	192,572	3,057	745	5,542	4,169	46,799	74,037	7,755	7,406	18,663	23,759	508	132

Source: Statistics Canada

Table 4 FOOD EXPENDITURES AS A PERCENTAGE OF DISPOSABLE INCOME - CANADA

YEAR	EXPENDITURES FOR FOOD AT HOME* PERCENTAGE OF DISPOSABLE INCOME
1974	13.68
1975	13.70
1976	13.20
1977	13.04
1978	13.17
1979	13.27
1980	13.16

*Does not include expenditures for food away from home which accounted for approximately 4.5 percent of disposable income.

Source: Statistics Canada

TABLE 5 PER CAPITA EXPENDITURE IN RESTAURANTS, BY PROVINCE 1975-79

PROVINCE	1975	1976	1977	1978	1979	% 75/79	PERCENTAGE CHANGE 1979/1978
CANADA	88.80	98.76	106.80	115.49	125.56	41%	+ 8.7
NEWFOUNDLAND	32.28	32.97	32.94	36.00	38.00	17%	+ 5.6
PRINCE EDWARD ISLAND	42.58	45.97	50.02	50.63	53.52	26%	+ 5.7
NOVA SCOTIA	50.44	54.14	57.29	60.10	65.04	29%	+ 8.2
NEW BRUNSWICK	56.67	60.61	63.99	67.43	69.60	23%	+ 3.2
QUEBEC	103.67	114.90	122.06	131.15	142.41	37%	+ 8.6
ONTARIO	91.13	102.14	111.72	121.17	132.72	46%	+ 9.5
MANITOBA	101.14	113.19	122.45	129.22	139.46	38%	+ 7.9
SASKATCHEWAN	65.65	72.28	75.62	79.48	84.38	29%	+ 6.2
ALBERTA	91.06	100.881	110.89	122.48	131.17	44%	+ 7.1
BRITISH COLUMBIA	81.94	92.02	104.66	115.72	127.36	55%	+ 10.1

SOURCE: Statistics Canada
Market Research Handbook 1982

TABLE 6 RECEIPTS OF HOTELS, BY SOURCE AND BY PROVINCE, 1978-1980

PROVINCE	TOTAL 1978	1979	1980	MEALS 1978	1979	1980	PERCENTAGE CHANGE 1980/78
CANADA	2,947,739	3,279,307	3,711,175	700,144	778,074	881,282	+26%
NEWFOUNDLAND	36,376	38,573	45,941	8,391	9,640	11,516	+37%
PRINCE EDWARD ISLAND	8,458	8,674	9,931	2,780	2,883	3,430	+23%
NOVA SCOTIA	51,911	59,374	64,038	33,574	15,213	17,632	+16%
NEW BRUNSWICK	39,083	39,081	48,077	12,226	11,687	15,179	+24%
QUEBEC	588,546	649,377	702,001	138,291	154,979	169,421	+23%
ONTARIO	892,646	975,740	1,066,958	233,206	252,780	273,723	+17%
MANITOBA	173,170	194,222	218,425	32,699	34,788	39,853	+22%
SASKATCHEWAN	171,079	190,964	215,269	28,001	33,136	38,633	+38%
ALBERTA	449,660	526,166	617,720	99,534	117,213	135,623	+36%
BRITISH COLUMBIA	503,515	557,816	680,487	121,150	134,917	167,286	+38%
YUKON	18,598	22,161	24,003	5,393	5,284	5,018	- 7%
NORTHWEST TERRITORIES	14,697	17,159	18,325	3,260	4,033	3,968	+22%

SOURCE: Statistics Canada
Market Research Handbook 1982

CHARACTERISTICS OF THE B.C. LIVESTOCK INDUSTRY

B.C.'s livestock industry is characterized by a number of key factors. Production of finished, dressed stock ready for slaughter in all sectors (i.e. beef, pork, lamb, veal) is small by comparison to the largest production areas in Canada. As such, B.C. producers have an overall, minor effect on market prices.

Table 7A detailing federal and provincial cattle, calf, lamb and hog slaughter by province reinforces B.C.'s position relative to the balance of the country.

Cattle slaughtered in B.C.'s federally and provincially inspected plants totalled 73,658 in 1981. This represented 2% of the national total of cattle slaughtered in both federal and provincial plants. B.C.'s position relative to the national aggregate has remained essentially static for the last five years (1-2%). Federally inspected hog slaughter in B.C. totalled 299,604 in 1981, representing 2% of the national total of 12,844,300. B.C. provincial inspected slaughter totalled 33,413 in 1981, representing 17% of total provincial inspected slaughter in Canada. Hogs slaughtered in B.C.'s provincially inspected plants account for 11% of total B.C. hog slaughter volumes.

In both cattle and hog markets, B.C. faces the prairie provinces as immediate competitors. The Alberta volume alone accounts for 40% of national cattle slaughter and 13% of hog slaughter (federal and provincial inspected plants). As such, B.C. producers have a negligible effect on market prices.

The number of sheep and lamb slaughtered in B.C. federally inspected plants is limited. As will be covered in further detail in the quantitative lamb discussion, the total scope of B.C.'s lamb industry cannot be derived from federal and provincial slaughter volume figures. Industry sources currently estimate that close to 70% of B.C.'s lamb population is slaughtered on the farm.*

* Proceedings Lamb Marketing Seminar / November 1982 / Marketing Branch, B.C. Ministry of Agriculture and Food

TABLE 7A

CATTLE: Number Slaughtered in Federally Inspected Establishments in Canada - by Province

TOTAL		BR.COLUMBIA	ALBERTA	SASKATCHEWAN	MANITOBA	ONTARIO	QUEBEC	ATL.PROV.	TOTAL
Year	81	68601	1294827	203897	297807	1031419	253910	46426	3196887
	80	61840	1251181	185535	302629	993645	220352	44301	3059483
	79	52860	1256614	184350	314374	920808	179484	45828	2954318
	78	68921	1381304	223352	424100	1089589	189372	53172	3429810
	77	50639	1590184	208929	515011	1070673	270263	55720	3761419

CATTLE: Number Slaughtered in Provincially Inspected Establishments in Canada - by Province

Total	1981	5057	12954	10888	13384	35642	9339	7926	95190

CALVES: Number Slaughtered in Federally Inspected establishments in Canada - by Province

TOTAL	81	12085	8009	1389	9797	87306	245756	1418	365760
	80	11006	4181	1383	8671	72706	237998	1386	337331
	79	7340	4262	1571	8189	65344	236735	1449	324890
	78	16425	18670	2794	20414	73489	357981	4737	494510
	77	9320	40855	4913	44136	109730	429659	6978	645591

CALVES: Number Slaughtered in Provincially Inspected Establishments in Canada - by Province

TOTAL	1981	2830	463	288	498	30763	4045	544	39431

Few federally inspected plants in B.C. will slaughter lamb on any consistent basis because of limited volumes. Intercontinental, B.C.'s largest federally inspected kill line, recently resumed provincial lamb slaughter at the request of the provincial government.** As table 7B indicates, Alberta, Ontario and Quebec are the major lamb producing provinces in Canada. B.C. sheep and lamb killed in both federally and provincially inspected plants represented 5% of the national total in 1981. Approximately 45% of sheep and lamb slaughtered in inspected facilities in B.C. are moving through provincially inspected plants.

B.C. veal production is significant in terms of Western Canadian production, but nominal when compared to the national total. As table 7A highlights, Quebec and Ontario are Canada's major veal producing provinces. B.C.'s position relative to the Eastern Canadian market will be discussed in further detail in the quantitative veal section. In terms of volume. B.C.'s total calf slaughter represented 4% of the national aggregate and 42% of the Western Canadian total (B.C., Alberta, Saskatchewan and Manitoba) in 1981.

A major volume of B.C. livestock (primarily cattle) is shipped out of the province to Alberta for finishing.

Labor and energy costs are generally higher in B.C. than in Alberta and this reduces the competitive advantage of domestic producers.

Beef production occurs throughout the province, however, the majority is concentrated in the interior where rangelands are most abundant. Finishing feedlots are most prevalent in the lower mainland where the agricultural land base is more intensive and the majority of slaughtering/processing facilities are located. The veal industry is tied closely to the lower mainland where dairy production is concentrated. Pork production occurs primarily in the lower mainland and the southern interior. The majority of pork producers are within

**ibid

TABLE 7B

SHEEP AND LAMBS: Number Slaughtered in Federally Inspected Establishments in Canada-by Province

	TOTAL	BR.COLUMBIA	ALBERTA	SASKATCHEWAN	MANITOBA	ONTARIO	QUEBEC	ATL.PROV.	TOTAL
Year	81:	6068	56849	526	5013	56987	48808	1617	175868
	80:	3290	38630	246	4273	39246	27793	1362	114840
	79:	3644	32963	184	2848	36504	13984	2698	92825
	78:	5832	32413	385	5920	44780	5909	2344	97583
	77:	4281	45254	645	5926	64360	8852	3267	132585

SHEEP AND LAMBS: Number Slaughtered in Provincially Inspected Establishments in Canada by Province

Total		4991	955	1035	2718	18967	2145	2378	33189

HOGS: Numbers Slaughtered in Federally Inspected Establishments in Canada-by Province

TOTAL	81:	299604	1686835	508590	1117551	3818524	4917922	494274	12844300
	80:	230216	1738061	578380	1119928	4021615	4781632	457620	12927452
	79:	127848	1415571	589338	1023442	3482485	3999331	393189	11030840
	78:	95486	1162697	606278	792019	2805771	3134601	337618	8934470
	77:	46123	1156998	547811	828041	2490969	2632535	304836	8007313

HOGS: Numbers Slaughtered in Provincially Inspected Establishments in Canada - -by Province

TOTAL	1981:	33413	20908	25755	28463	71322	17503	4068	201432

Source: Agriculture Canada
Marketing and Economics Branch
Livestock Market Review 1981

50 miles of the largest processing plant in Vancouver. Lamb production occurs in varying quantity throughout all areas of the province with a good percentage concentrated in the Lower Mainland /Fraser Valley near ethnic populations.

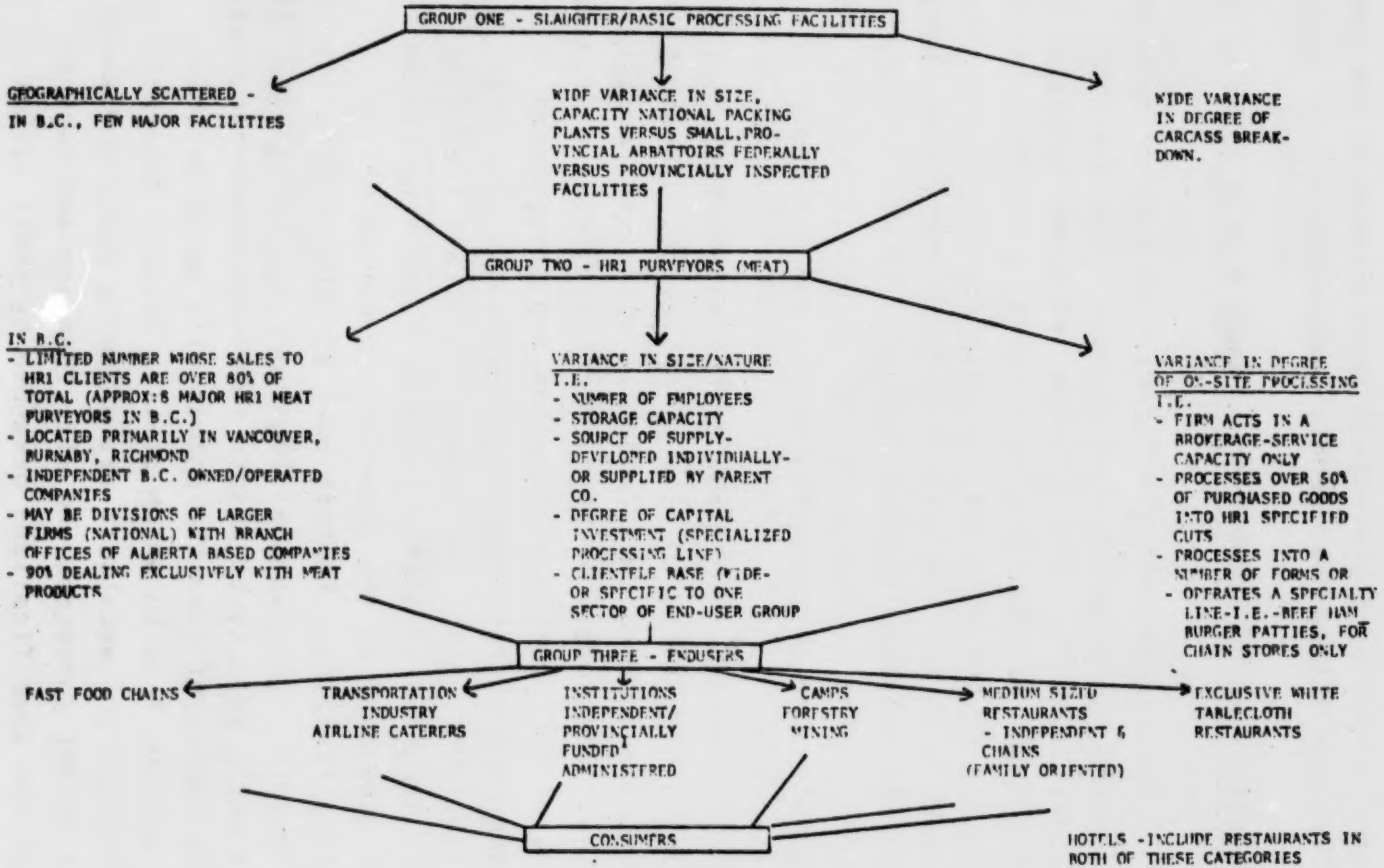
MEAT PURCHASING CHANNELS FOR THE HRI MARKET IN B.C.

Analysis of the market channels for distribution of meat/meat products to the HRI trade in B.C. reveals three distinct segments (see table 8). Once animals leave the farmgate, they must pass through slaughtering facilities, a purveyor/broker and ultimately to the end-user. In this discussion end-users are referred to as the last group handling the product before it reaches the consumer (hotels, restaurants and institutions). The accompanying flow chart illustrates these three segments, the characteristics of each and their interrelationship.

The first segment, "slaughterhouses/abbatoirs", encompasses a wide range in size of operation. Livestock in B.C. can be slaughtered in a number of different facilities and geographical locations. As mentioned previously, a significant percentage of B.C. cattle is finished and slaughtered in Alberta and shipped back into the province as carcasses, sides, boxed primal cuts, etc. The degree of carcass breakdown following slaughter of animal (steers, hogs, veal calves, lambs) is dependent on the capacity and nature of the slaughtering facility. Factors such as labor costs, size of storage capacity, geographical location, clientele base, (% retail vs HRI), ability to absorb shrinkage loss, etc., all affect the amount of time the animal will spend at this facility and the form in which it will leave. Generally slaughterhouses and abbatoirs are shipping sides and whole carcasses to HRI purveyors who will then age and further process to the specifications demanded by their market.

TABLE 8

MARKET CHANNELS FOR SUPPLY OF RED MEAT TO B.C.'S HRI SECTOR


GROUP ONE - SLAUGHTER/BASIC PROCESSING FACILITIES
GEOGRAPHICALLY SCATTERED -
IN B.C., FEW MAJOR FACILITIES
WIDE VARIANCE IN SIZE, CAPACITY NATIONAL PACKING PLANTS VERSUS SMALL, PROVINCIAL ABBATTOIRS FEDERALLY VERSUS PROVINCIALLY INSPECTED FACILITIES
WIDE VARIANCE IN DEGREE OF CARCASS BREAKDOWN.
GROUP TWO - HRI PURVEYORS (MEAT)
IN B.C.
- LIMITED NUMBER WHOSE SALES TO HRI CLIENTS ARE OVER 80% OF TOTAL (APPROX:8 MAJOR HRI MEAT PURVEYORS IN B.C.)
- LOCATED PRIMARILY IN VANCOUVER, BURNABY, RICHMOND
- INDEPENDENT B.C. OWNED/OPERATED COMPANIES
- MAY BE DIVISIONS OF LARGER FIRMS (NATIONAL) WITH BRANCH OFFICES OF ALBERTA BASED COMPANIES
- 90% DEALING EXCLUSIVELY WITH MEAT PRODUCTS
VARIANCE IN SIZE/NATURE
I.E.
- NUMBER OF EMPLOYEES
- STORAGE CAPACITY
- SOURCE OF SUPPLY-DEVELOPED INDIVIDUALLY-OR SUPPLIED BY PARENT CO.
- DEGREE OF CAPITAL INVESTMENT (SPECIALIZED PROCESSING LINE)
- CLIENTELE BASE (WIDE-OR SPECIFIC TO ONE SECTOR OF END-USER GROUP
VARIANCE IN DEGREE OF ON-SITE PROCESSING
I.E.
- FIRM ACTS IN A BROKERAGE-SERVICE CAPACITY ONLY
- PROCESSES OVER 50% OF PURCHASED GOODS INTO HRI SPECIFIED CUTS
- PROCESSES INTO A NUMBER OF FORMS OR
- OPERATES A SPECIALTY LINE-I.E.-BEEF HAMBURGER PATTIES, FOR CHAIN STORES ONLY
GROUP THREE - ENDUSERS
FAST FOOD CHAINS
TRANSPORTATION INDUSTRY AIRLINE CATERERS
INSTITUTIONS INDEPENDENT/ PROVINCIALLY FUNDED ADMINISTERED
CAMPS FORESTRY MINING
MEDIUM SIZED RESTAURANTS - INDEPENDENT & CHAINS (FAMILY ORIENTED)
EXCLUSIVE WHITE TABLECLOTH RESTAURANTS
CONSUMERS
HOTELS -INCLUDE RESTAURANTS IN BOTH OF THESE CATEGORIES

On the lower mainland, existing slaughter facilities are limited in numbers. There are two major hog processors in B.C. The majority of clientele currently handled by these B.C. packers is the retail trade. Much the same situation would apply to the balance of B.C's facilities which are composed of smaller slaughterhouses and abbatoirs. Depending on the size (re physical structure, number of employees, storage capacity), the breakdown of animals handled (% beef, veal, lamb, pork), the nature of clientele (limited large volume vs several small) and the expertise available, carcass breakdown will vary widely. Because of limited veal and lamb kills in B.C., most facilities cannot absorb the costs of breaking carcasses. This, as we shall see, is one of the major obstacles to active import displacement for the HRI trade.

Purveyors that source beef and pork from western provinces are dealing primarily with plants that are affiliates of major packing houses, (e.g. Canada Packers and Centennial). These plants are handling volumes that make it feasible for them to absorb the costs of breaking carcasses into boxed primal cuts for HRI. The large slaughter houses that have a sound retail base are also able to provide markets for portions of the animals not commonly used by the HRI trade.

In B.C., the limited number of slaughter facilities and the degree of carcass breakdown they collectively can provide, is a crucial element to consider if imports for the HRI market are to be displaced to any appreciable degree.

Once carcasses have been shipped from slaughter facilities, they then enter the second phase of the distribution channel. Within this second segment, "purveyors/brokers", there exists a considerable range as well. There are a number of small independent brokers who deal with a very limited clientele (i.e. 1-5 restaurants) and offer what is essentially a specialized procuring and butchering service. The core of this second segment however, is composed of 8 - 10 major meat purveyors, located in the Vancouver /

Richmond area, who deal almost exclusively with the HRI trade (i.e. over 80% of total sales to HRI end-users).

Companies within this core vary according to physical size, clientele base (i.e. % fast-food versus camps, airlines, hotels, exclusive restaurants, etc.) supply sources, percentage breakdown of products handled, the degree of on-site processing and aging , number and skill level of employees, capital investment and storage capacity. Some members of this core group are independent B.C. owned companies, others are branch offices, affiliates or divisions of large firms. The clientele base they serve affects the nature of the facility, its purchasing habits and the degree of on-site processing and aging to a considerable extent. For example, a facility catering exclusively to fast food chains (large volume purchasers where product specifications are usually rigid requiring highly specialized production lines, etc. portioned hamburger patties, constant fat/lean ratio, fresh frozen, etc.) would be involving itself in high capital investment. As MacDonald's, the largest fast food chain in B.C. is vertically integrated and sources 100% of its beef from an affiliate in Manitoba, the residual fast food chains in B.C. can support a very limited number of purveyors whose facilities are designed exclusively for this type of meat processing. For this reason, most purveyors in this core segment are dealing with varied clientele, and operate facilities that are flexible in their capacity.

The primary function of this core group then is receiving meat in the form of carcasses, sides and/or boxed primal cuts, aging and further processing on site to meet the specifications demanded by their clientele. In the case of lamb and veal, many purveyors are acting simply as brokers, importing boxed primal cuts and shipping directly to end-users without altering the product in any way.

Purveyors face similar cost/benefit decisions as those of slaughter facilities. Some cannot absorb the costs of storing, breaking down entire carcasses and marketing residual cuts that are not demanded by their clientele. For this reason many purchase supplies from larger out-of-province facilities that will provide this service. Dealing with perishable products in a highly competitive market, places meat purveyors in a high risk position. Because the business is capital and labor intensive, turn-around time is a major factor in purchasing decisions. When interest rates are high, maintaining large inventories for any extended period of time is costly. As well, purchasing meat on an international open market that is subject to considerable fluctuation in the short run, compounds risk. For the most part, a purveyors' clientele is extremely price conscious and is loyal only to those who can provide the best service/quality (i.e. aging, custom processing) at the lowest cost. Because of constant exposure to these factors, the purveyor is most likely to deal with suppliers who can minimize his risk. Knowledge of his clientele preferences, tastes and capacities is crucial to the purveyors' success.

"End-users", the final segment in the distribution channel, form perhaps the most diverse group. Included are hotels (some servicing up to six different restaurant facilites in one complex), family restaurants (independent medium sized outlets), medium priced restaurant chains, limited menu outlets (fast food chains), white tablecloth exclusive restaurants, camps, airlines, schools, hospitals and institutions. While restaurants and major hotels are concentrated in the Vancouver area, this group is geographically scattered. Purchasing habits of end-users depend on clientele base (ability to pass along costs) nature of the outlet, (limited/extensive menu) skill level of employees, budget restraints, purchasing channels (chef/purchasing agent) storage capacity, geographical location, competitive position and the relative weight placed on quantity, quality and price.

The restaurant industry is very competitive, labor and capital intensive. Trade offs between quantity, quality and price hinge largely on the clientele base and the outlets competitive position. Because the marketing thrust of chain outlets is generally based on consistent quality for the best price, these outlets tend to use those purveyors who can consistently meet their product specifications for the lowest dollar value. Many achieve this by centralized volume purchasing at the expense of small independent operators. The necessity to assure consistent quality coupled with the generally low skill level of employees in their outlets, results in a high percentage of portion controlled meat purchases.

Among medium-sized independent restaurants, purchasing power is limited. Because of their limited purchases they are subject to higher variable costs and the distinct possibility of inadequate supply and service during periods of market instability. They must be extremely price conscious in order to maintain their competitive position and must also present a more extensive menu to attract a broader clientele base. Some operations of this size prefer to deal with purveyors who can provide a "one stop" shopping service. Few meat purveyors are in a position to provide this. Large companies such as Canada Packers have developed a comprehensive food service division that will service this market specifically. Several independent operators will access meat products through one or more of the numerous small scale HRI meat brokers. Depending on the skill level of the chefs, restaurants of this size are often purchasing larger cuts of meats and processing on site, to meet menu requirements. Those with chefs of limited skill will often pay the higher price for portion controlled products.

The exclusive white tablecloth restaurants base their marketing thrust on quality and generally serve a clientele who can absorb cost increases. Restaurants of this stature are compelled to present an extensive menu featuring a wide range of meat products. Demand for lamb and veal is strong within this group viewed as essential key menu items. Some medium-sized restaurants will often try to include lamb or veal on their menus as an image-enhancing tool. Because assurance of quality is crucial to exclusive restaurants, loyalty to purveyors is often stronger. Many restaurants will deal on a long-term basis with purveyors who will guarantee their requirements. The skill level among chefs in this group is markedly higher, and as such, these purchasers form a discerning group. Often, European-trained chefs prefer to purchase partially processed primal cuts of meat, to make final cutting on the restaurants' premises. Many tend to make greater use of lesser cuts in soups and sauces than would those less skilled. Price continues to be significant criteria however, and it would be a misrepresentation not to stress its importance. It is among this group of end-users that criteria such as aging, marking, color, texture, etc. are assigned high priority. Several European trained chefs will request meat products from specific sources because of a perceived quality and image (e.g. "New Zealand Spring Lamb", "Montreal Milk-fed Veal"). Purveyors who cater to these demands are most likely to ensure long-term contracts. There is a high degree of credibility among chefs of this stature, with most European-trained chefs working on an international basis throughout their careers. As such, they have been exposed to an extensive variety of products and will often place pressure on their suppliers to source items often not domestically available in quantity.

The institutional sector emphasizes price as its major purchasing criteria. Government administered institutions in particular must attempt to bid for the lowest prices when establishing supply contracts. As dietary needs and priorities vary considerably among the provinces' several institutions and as facilities are geographically scattered, there is minimal central meal preparation. Few institutions are currently purchasing a high percentage of portion controlled meat. Most find it to their advantage to purchase bulk cuts and process on site utilizing the labor and storage capacity they are maintaining on a fixed cost basis. B.C. ferries would be the major exception to this practice. Because food preparation and storage facilities are limited on board ships, portioned meats are used extensively. The B.C. Purchasing Commission, central purchasing agent for provincially funded and administered institutions, does favor contract bids from companies who maintain inventories of meat produced or processed in B.C.

Other high users of portioned meats are the companies who cater to airlines. Competition among airlines has intensified dramatically and airline caterers are under growing pressure to present the most attractive meal package for the lowest cost. Caterers generally cannot afford to pass along the high labor costs associated with processing carcasses/sides themselves and hence the heavy use of portioned meats. Meat accounts for 50% of the value of total food purchases and forms the basis for complimentary product selection. Product specifications vary constantly as do cost factors. Caterers for airlines must consider and priorize the following criteria when purchasing meat for airlines: freight weight of meal package, meal preparation facility, cost of complimentary products, flying time, nature of flight (international / domestic), nature of airline clientele (chartered flight, business / pleasure), and the current status of the North American livestock market. Generally, supply contracts for airline caterers are not long term. Price and service are

determining factors when considering purveyors. Airlines are heavy beef users. While veal and lamb are attractive products, cost inhibits extensive use and consumer acceptance of beef is far greater then that of lamb and veal. Use of pork is generally limited because of lengthy preparation times and limited consumer preference. Because of the extreme competitive environment airline companies operate in, satisfaction of the greatest number of travelling clients is crucial. Beef is generally a well accepted, versatile product, that lends itself to a variety of meal presentations.

Because the "purveyor/broker" segment of the HRI meat distribution channel deals extensively with most slaughter facilities and end-users, their familiarity with product specifications, purchasing criteria, supply sources, etc. for the HRI trade is perhaps the most comprehensive. The discussions that ensue will be based therefore on interviews with a representative sample of the major HRI purveyors. Included in the appendix is a copy of the questionnaire completed orally by each of the participants during the interview period. Responses from the questionnaire will form the basis of a detailed and quantitative discussion on the potentials and constraints for import displacement of Beef, Veal, Lamb and Pork for B.C.'s HRI trade.

IMPORT DISPLACEMENT POTENTIAL FOR B.C.'S HRI MARKET
BEEF

IMPORT DISPLACEMENT POTENTIAL FOR B.C.'S HRI MARKET

BEEF

Of the major purveyors surveyed in the Vancouver market, beef represented 70-75% of total meat volumes handled for HRI accounts. The majority of purveyors interviewed were sourcing all or a major percentage of their beef requirements from Alberta. A number have imported on an intermittent basis from the U.S. In these instances, price, inventories and the exchange rate have been attractive at the time of purchase. An estimated 4,000,000 lbs of B.C. beef (dairy culls, trimmings from box beef packs, etc.) is used annually by purveyors who supply portioned patties and bulk ground beef to fast food chains. This figure is a conservative estimate at best, and will fluctuate considerably with the availability of slaughter cows and bulls.

HRI purveyors who are supplying other beef cuts such as steaks, striploins, etc. are purchasing for the most part, A2 steers either in boxed primal cuts, dressed sides, boned out sub-primals or whole carcass form. The largest steakhouse chain in B.C. is purchasing A2,A3, A4 heifers, primarily from Alberta, and having portioned steaks, fat-trimmed to their specifications. This chain is currently using approximately 700,000 lbs. of beef annually.

Purveyors interviewed stressed the necessity to supply marbled beef to HRI end-users. The majority suggested the B.C. livestock industry is producing a retail product. Marbling is currently insufficient in a good percentage of the local product to satisfy HRI end-users. Others contend that this is hardly the case and perceive little or no apparent disparity in the suitability of Alberta and B.C. - fed beef for HRI end-users. As table 9 indicates, 24.5% of B.C.'s total cattle slaughter graded out as A2 in 1981 as compared to 28.7% in Alberta. In terms of volumes however, B.C.'s A2 gradings

Table 9

BEEF CARCASSES GRADED IN FEDERALLY AND PROVINCIALLY INSPECTED PACKING PLANTS

CARCASSES DE BOEUF CLASSEES DANS LES ABATTOIRS INSPECTES PAR LES GOUVERNEMENTS FEDERAL ET PROVINCIAUX

	Province où a eu lieu le classement:									
Graded in:	BR.COLUMBIA: COLOMBIE-BR:	ALBERTA	SASKATCHEWAN:	MANITOBA	ONTARIO	QUEBEC	ATL. PROV: PROV. ATL.:	1981 TOTAL	1980 TOTAL	
Grade A1	24665	614335	68823	128845	499236	37595	20645	1394144	1316044	Catégorie A1
2	18050	375884	44365	73006	331275	13125	5832	861537	823344	2
3	3296	80200	8968	13280	56236	1794	702	164476	169027	3
4	409	14753	1463	3750	15201	340	124	36040	39511	4
B1	3832	19216	7625	9845	27177	4289	2817	74801	72546	B1
2	387	332	473	780	1347	109	14	3442	3094	2
3	6	592	92	135	49	21	0	895	369	3
4	1	56	35	44	28	24	0	188	133	4
C1	5143	26536	7970	9480	22934	8895	5206	86164	77958	C1
2	1465	2325	1979	1386	4800	4230	2046	18431	14947	2
D1	1188	62673	19356	19102	19017	12319	1371	135026	144646	D1
2	1736	39459	18488	11049	16876	20123	2958	110689	101284	2
3	5752	29483	10020	8046	18061	37024	3438	111824	101067	3
4	72	10704	3850	2975	3265	2973	224	24063	23348	4
5	4409	25304	14928	13471	36798	100282	7468	202660	195469	5
E	3080	5729	6350	2511	13577	18042	1018	50307	46436	E
TOTAL										TOTAL
1981	73491	1307781	214785	297705	1065877	261185	53863	3274687		1981
1980	65815	1262752	195852	302503	1026300	226759	49242		3129223	1980
IMPORTS										IMPORTATIONS
1981	-	751	1577	5845	144767	43	15	152998		1981
1980	30	1120	1439	4967	44120	93	-		51769	1980
DOMESTIC										DOMESTIQUE
1981	73491	1307030	213208	291860	921110	261142	53848	3121689		1981
1980	65785	1261632	194413	297536	982180	226666	49242		3077454	1980

PERCENT OF TOTAL GRADINGS								POURCENTAGE DES CATEGORIES		
Grade A1	33.5	46.9	32.0	43.2	46.8	14.3	38.3	42.5	42.0	Catégorie A1
2	24.5	28.7	20.6	24.5	31.0	5.0	10.8	26.3	26.3	2
3	4.4	6.1	4.1	4.4	5.2	0.6	1.3	5.0	5.4	3
4	0.5	1.1	0.6	1.2	1.4	0.1	0.2	1.1	1.2	4
B1	5.2	1.4	3.5	3.3	2.5	1.6	5.2	2.2	2.3	B1
2	0.5	-	0.2	0.2	0.1	-	-	0.1	-	2
3	-	-	-	-	-	-	-	-	-	3
4	-	-	-	-	-	-	-	-	-	4
C1	6.9	2.0	3.7	3.1	2.1	3.4	9.6	2.6	2.4	C1
2	1.9	0.1	0.9	0.4	0.4	1.6	3.7	0.5	0.4	2
D1	1.6	4.7	9.0	6.4	1.7	4.7	2.5	4.1	4.6	D1
2	2.3	3.0	8.6	3.7	1.5	7.7	5.4	3.3	3.2	2
3	7.8	2.2	4.6	2.7	1.6	14.1	6.3	3.4	3.2	3
4	-	0.8	1.7	0.9	0.3	1.1	0.4	0.7	0.7	4
5	5.9	1.9	6.9	4.5	3.4	38.3	13.8	6.1	6.2	5
E	4.1	0.4	2.9	0.8	1.2	6.9	1.8	1.5	1.4	E

represented 4% of the Western Canadian total in 1981 (B.C., Alberta, Saskatchewan and Manitoba) while Alberta alone accounted for 74%. B.C. producers must acknowledge that the HRI industry as surveyed in this analysis have in general, a fixed image of the local industry as retail market oriented. Alberta beef is perceived by a majority of purveyors and end-users as a superior product. Purveyors and end-users in general are committed to this concept to the extent that they will base marketing schemes on their ability to supply or feature "Alberta grain-fed beef." Quality was emphasized by the majority of purveyors as their primary purchasing criteria in stable markets. Because beef represents the majority of meat handled for HRI accounts, the purveyor is judged on the beef he can source and supply on a consistent basis.

Aside from the perceived notion that the Alberta product is better suited to the needs of B.C.'s HRI market, the major incentive for sourcing beef from Alberta is consistency of supply. Slaughtering facilities for B.C. cattle are limited. One large kill line, located in the lower mainland, is currently handling much of B.C.'s cattle slaughter. In actuality, the plant is designed optimally for hog slaughter. This plant processes a minimal percentage of the beef it slaughters for the HRI market. The cost of custom processing for the HRI market is not justified given the limited volumes required and absorbing shrinkage loss by aging for the HRI market compounds costs. Certainly, the majority of beef moving through this plant is processed into boxed - ready form for the retail market. Aside from this one major plant, a number of smaller slaughter facilities are concentrated in the Fraser Valley. These operations by virtue of their size, face cost variables even more restrictive. While a portion of their business is directed to the HRI market, retail sales constitute the majority. Thus, the HRI purveyor purchasing B.C. beef absorbs carcass breakdown costs except for a very few suppliers.

This coupled with inconsistent volumes of B.C. beef available for the HRI market places the B.C. producer at a distinct competitive disadvantage. In order to displace a percentage of the beef imported from Alberta for the HRI market, B.C. producers must be prepared to provide a consistent volume of A2 cattle slaughtered and into primal cuts at competitive market prices.

Price is an essential element in the purveyor's purchasing decision. In erratic or unstable market periods, it becomes crucial. In order to maintain some degree of consistency for their clientele, purveyors must monitor the North American livestock market closely to anticipate dramatic short-term fluctuations. This requires ongoing analysis and weighing of factors such as the current and projected slaughter volumes of total red meats in North America, cattle, hog and grain futures, fed cattle marketings, cattle placed on feed, feeder prices, wholesale cattle prices in major Canadian and U.S. markets, wholesale to retail price spreads for selected cuts, Canadian and American cash hog prices and their effect on cattle markets, red meat disappearance and movement through retail markets, current and projected interest rates and transportation rates and policies. A myriad of factors are involved in maintaining a positive position in a highly competitive market. Producers must acknowledge that the marketing of their product has evolved into a highly complex process.

As HRI end-users, and consequently, purveyors must attempt to maintain price consistency, anticipation of shortfalls and surpluses in the North American beef cycle becomes the focal point. A major restaurant chain in B.C. has begun purchasing cattle futures during spring months in order to provide themselves with a buffer during periods when prices escalate.

Cattle producers with an interest in supplying the HRI market, must acknowledge the key differences between retail and HRI end-users. Retail outlets have considerably more flexibility with pricing than do their counterparts in the HRI industry. Retailers have as well, a number of marketing options they can employ to moderate dramatic changes. Because they are using a larger percentage of the animal, retailers are able to price so that high demand cuts can support the low volume movers. They are able to feature beef cuts along with complimentary products and use a number of tie-in promotions. For example, the Fresh For Flavour Foundation annually presents a stew promotion across Canada. While featuring storage vegetables, retailers move significant volumes of lower-priced beef cuts. While beef is the major meat item sold retail pricing, presentation and promotion of other meat products affect beef movement considerably. Consumer demand for beef is often stimulated during periods of high prices in competing meat products. Variable and seasonal beef demand triggers velocity changes for a host of complimentary products. Retailers must gauge the demand for beef and competitive meats and continuously fine tune pricing, promotion and presentation.

The HRI end-user is faced with a more consistent demand level. While beef usage intensifies during "banquet seasons", (i.e. Christmas, May, June, July--wedding season, etc.), it maintains a fairly strong profile throughout the year. While restauranteurs, are able to feature meal packages, a high level of fixed costs limits their flexibility to do so frequently to any appreciable degree. Menus and prices are generally fixed on a long-term basis (annually). The gap between meal cost and price represents the profit margin. In order to maintain consistent profit margin, variable costs such as beef, must be anticipated and worked into the meal price. Dramatic and unexpected cost increases cannot readily be passed along to the consumer and foodservice operators must ultimately absorb the losses.

Fast food chains serving hamburgers as their key menu item are subject to fewer price risks. They volume purchase dairy culls and packer house trimmings which change less dramatically than high-grade specific cuts purchased by independent outlets. Of the seven major fast food hamburger chains surveyed in this analysis, three were purchasing all of their beef locally, two were sourcing a portion locally with the balance from Alberta, and two were vertically integrated with processing facilities located elsewhere in Canada. Each chain had fairly rigid individual product specifications. Five of the seven were purchasing frozen portioned patties, and the other two fresh, bulk ground beef. Of the two chains purchasing fresh beef, one has a central kitchen where patties are made and shipped to outlets on a daily basis, and the other prepares patties at each chain outlet according to specific guidelines. Currently there is one major processor of volume portioned frozen beef patties in the lower mainland. The operation is very capital intensive and is currently meeting industry requirements. The fast food hamburger market in B.C. cannot support an additional facility of this kind at this time.

Unlike retailers who are purchasing boxed-ready beef that requires minimal reprocessing and aging on the store site, many HRI purveyors servicing clients other than the fast food chains are purchasing dressed out sides which they will age approximately three weeks (varies according to end-user specifications) and then reprocess into boned out loins, strip loins, 8 oz., 10 oz. steaks, roasts, tenderloins, ground bulk beef, etc. During periods of high interest rates, this is particularly costly. Purveyors cannot afford inconsistent quality, and volume shortfalls.

In table 10, a synopsis of the information derived from interviews with a sample of B.C.'s major HRI meat purveyors is presented. The table details supply sources, form in which HRI purveyors are sourcing meat, the nature of their clientele, the form in which beef is received by the end-user and the degree of reprocessing by the HRI purveyor.

Table 10

BRIEF SYNOPSIS OF INTERVIEWS - BEEF
(INTERVIEWS WITH PURVEYORS)

BEEF AS % OF TOTAL MEAT HANDLED	SOURCE OF SUPPLY	FORM IN WHICH PURCHASED AND GRADE	FORM SOLD TO END-USERS I.E. DEGREE/NATURE ONSITE PROCESSING	NATURE OF CLIENTELE
67%	Alberta-Major supply source - (strong price incentive to source here currently)	Carcasses, sides, hinds A1-A2 steers. Quality crucial, price secondary although extremely important.	Markets entire carcass except front ¼ to end-users-difficulty moving chucks. -processes into: Bulk ground beef Portioned patties(fresh) strip loins 8-9 oz. 10-11 oz. steaks, roasts specs. on ground beef fairly close among fast food chains service	Exclusive Restaurants 80% major fast food chains 10% hotels 3% Instit 7% Camps
70%	Alberta Exclusively	Boxed primal cuts (step between carcass and finished cuts) A1-A2 steers	Roasts, portioned steaks 8-10oz. Bulk ground beef, portioned patties (fresh) Reprocesses roughly 70%- Reroutes 30% in primal cut form to end-users without further breakdown	15% hotels (purchasing bulk cuts processing themselves as a rule) 50% restrnt including fast food 5% Instit. 30% Camps
75%	Alberta exclusively from affiliate plant (strong emphasis placed here on quality perception-"Alberta is the only place to purchase beef in Canada"	Boxed primal cuts A1-A2 steers Quality critical #1 purchasing criteria, price second	Rerouting a good percentage as purchased to end-users Balance as bulk ground protioned patties-fresh roasts	Breakdown not available

50%	Majority-Alberta Occasional-U.S. (price incentive here) Domestic when available in specs required and in volume required	Carcasses A1-A2 steers Generally Quality (1) Price (2) When purchasing Alta. from U.S.-Price (1) (A3-A4)	75% sold as primal cuts 25% portion cut As New York strips, Top Sirloin Steaks, Roasts Banquet style ribs-some Bulk, ground beef	40% hotels 40% restrnt (portion cut market) camps 20%
80%	Majority Alberta Some Domestic(5-10%)	Carcasses, boxed primal cuts A2 only as a rule A1 only if good fat cover and sufficient marbling are in evidence-Quality is critical-price second	Process bulk into following cuts; Striploins, Tenderloin, Top Sirloin, Inside/Outside round, some portion steaks in bulk.	Exclusive restaurants 40%, Four star hotels 40%, chain restrnts. (Keg&Cleaver type) Camps&Air-lines-10% (15% of total-block ready hips for retail market
40-50% (For HRI sales only)	Alberta	Dressed out sides Mostly A2, A3 But occasionally A1-A4	Majority not portion cut instead-Striploins, Top Sirloin, Tenderloin, Baron of Beef, Inside/Outside Round, Sirloin Tip	Exclusive Restrnts. Hotels

Certainly, import displacement potential exists for B.C. beef producers in the provinces' HRI market. Whether this can be realistically achieved to an appreciable degree hinges on a number of key factors. B.C. producers and packers must be prepared to take an active role in the identification and marketing of their product. This is initiated by selling the concept to HRI purveyors that B.C. producers can produce animals that meet the specifications of the HRI market on a limited, perhaps, but consistent basis. In order for HRI purveyors to successfully market B.C. beef, their clientele must be convinced that the local product is competitive with that of Alberta. Consistent quality, service, quantity and price is crucial to achieving this. B.C. producers and packers must have as well, a strong identity based on quality, that they are prepared to aggressively market.

On the whole, most end-users surveyed were supportive of B.C. products in general. With regard to beef, few felt they had an accurate perception of the scope of B.C.'s production. Several had limited confidence in the availability of consistent supplies. As well, many echoed the purveyor's comments that B.C. beef is too lean for the HRI market. Because beef is represented in a major portion of most restaurants' menus, and forms the basis for much complimentary product selection, many chefs involved themselves personally with beef purchasing. The incentive to source beef locally is strong given comparable quality and quantity. Many chefs suggested that the risk factor involved with sourcing a product as fundamental to their operation as beef from out of province would be diminished significantly were they able to purchase and monitor quality locally.

During the banquet season, beef usage by hotels increases considerably. This is perhaps one avenue B.C. producers and packers might investigate. Generally banquet contracts are booked well in advance of the occasion, and as such, producers could have ample lead time for supplying functions of this nature. Banquets provide an excellent forum

for promotion of locally produced products. As major profit generators for hotels, positive feedback from banquet patrons with regard to the quality of B.C. beef served, would provide added incentive for hotels to source locally. As well, banquets often generate high value added sales by providing access to a fairly exclusive, varied clientele whose influence often extends far beyond the local market. Banquet patrons include a strong percentage of business persons and international travellers. The potential for spontaneous informal promotion is considerable (i.e. word of mouth).

The institutional component of the HRI industry claims loyalty to B.C. products. With regard to beef purchasing, preference is given to packers and suppliers who maintain inventories of B.C. produced and/or processed beef. The primary purchasing criteria in this segment is price. Most institutions are maintaining a fairly high level of fixed costs and are operating within limited assigned budgets. In order to displace any beef volumes imported for this market, B.C. producers and packers will have to be extremely price competitive. This is possibly an easier market for B.C. packers to access however given the following factors: (a) government funded institutions have a mandate to support local producers and suppliers, (b) the institutional trade is generally sourcing a leaner more retail oriented product, and (c) many institutions are processing whole sides on their premises using fixed labor resources. Thus, specialty processing for this segment of the HRI market is not as crucial.

Changing dietary habits in Canada may well influence beef consumption away from home. The unprecedented emphasis on nutritious eating patterns may result in demand for a leaner beef product in the HRI market. As well, the trend towards increased fresh vegetable consumption along with smaller red meat consumption may trigger changes in the presentation of beef in the restaurant sector. Conceivably we could see beef featured in the future as a compliment to a vegetable entree.

Certainly, traditional marketing of beef has evolved from the days of off the farm sales, to a highly complex process. In conclusion, it is evident that B.C. producers and packers who wish to access the HRI market must be prepared to involve themselves intensely in this process. Producers must have access to and comprehension of production and marketing trends in the North American livestock market in order that they may function competitively in the home market.

IMPORT DISPLACEMENT POTENTIAL FOR B.C.'S HRI MARKET

VEAL

VEAL

Discussions with HRI purveyors surveyed in this study revealed that import displacement potential for veal is indeed feasible given that a number of key criteria are met locally. Of the purveyors interviewed, veal represented 5-8% of the total meat volume handled for HRI sales. Several suggested that this volume has strong growth potential given (a) rapid growth in demand from their clientele and (b) strong value added sales generated by servicing veal to larger clients. Of the six major purveyors interviewed handling veal in appreciable volume, four are currently sourcing the product from competing areas of supply. Eastern Canada (Montreal and Toronto) figures prominently as B.C.'s largest competitive market for supply of veal to the HRI trade. A minimum of 5000-7000 lbs. weekly is imported from Eastern Canada for distribution within the Vancouver HRI market. Veal imported from Eastern Canada is predominantly Provimi, white, chilled hinds, saddles and strip loins (Cryovac).

There is apparent potential to displace a minimum of 360,000 lbs. annually imported from the Eastern Canadian market. This figure is a conservative estimate only given that (a) not all purveyors surveyed would disclose volumes imported from Eastern Canada and (b) while this survey does encompass the major veal brokers for the B.C. HRI market, it is by no means exhaustive.

New Zealand emerged as the secondary major supply source. Veal from New Zealand is predominantly range fed (pink) and is being imported in the form of frozen legs, hinds, saddles, strip loins and tenderloins. There is apparent potential to displace a minimum of 140,000 lbs. imported annually from New Zealand based on volumes disclosed by the HRI purveyors surveyed. Again, this figure should be interpreted as a minimum conservative estimate as it is by no means inclusive of all veal imported from New Zealand for B.C.'s HRI market.

Other important sources for veal include Australia and Wisconsin. While important volume from these sources was not possible to gauge discussions with purveyors suggest that minimal domestic expansion could displace these limited volumes.

Two purveyors are currently sourcing veal locally but here are a few slaughter facilities on the lower mainland handling B.C. veal. Currently, carcass breakdown at these plants is minimal and HRI purveyors sourcing local veal are purchasing predominantly whole carcasses. Some carcass breakdown (sides, quarters) is done if volumes demanded will warrant absorption of the additional labor cost.

Because HRI purveyors sourcing B.C. veal must do so largely in whole carcass form, they must have access to alternate markets to absorb the balance of the animal not commonly used by their clientele. In general, HRI end-users are using hinds only. Current grading guidelines intensify the risk purveyors face in purchasing locally. A wide disparity exists between the price structure and quality of authentic B.C. milk fed veal and every other calf that is marketed as such. New, proposed standards if adopted could help to clarify the discrepancies that inhibit local purchasing to a considerable extent. The tables 11, 12 and 13 outline the evolution of Canadian veal grading standards, however, they are not widely used.

In discussions with major HRI purveyors, a number of common observations emerged. When asked if reasonable potential existed for expansion of domestic veal production, the majority of purveyors indicated that the HRI trade could certainly absorb increased domestic volumes given that a number of key marketing issues were addressed. Incentive to source veal from competing markets is currently based on service for cost. Few purveyors have capital and labour assets sufficient to absorb the costs of breaking carcasses and establishing markets for fronts when their clientele is using exclusively hinds. And, as veal represents only 5-8% of total red meat

TABLE 11 SUMMARY OF GRADE SPECIFICATIONS FOR VEAL CARCASS GRADING SYSTEM 1974

GRADE (Brand)	MATURITY	QUALITY OF FLESHING		FAT COVERING (Finish)		VISUAL APPRAISAL
	Bones	Color of Flesh	Texture of Flesh	Color of Fat	Distribution of Fat	Muscling
A (Red)	Youthful Soft and Reddish in color	Pinkish grey to a darker pink	Firm and fine grained	Interior fat white, creamy white or tinged with pink	Fairly thick over backs and loins on heavier carcasses, proportionally less on lighter weights. Interior-Large deposits	Excellent, heavily and uniformly fleshed
B (Blue)	Youthful Moderately soft and red	Pinkish brown to pale red	Moderately firm and fine grained	Interior fat creamy white	Light over backs and loins on heavier carcasses to very thin on lighter carcasses. Interior moderate to small on lighter carcasses	Good-Moderately thick especially in the loins and rounds
C (Brown)	Youthful Slightly large in proportion to the carcass. Slight lack in redness	Slightly dark in color	Slightly coarse		Thin small patches over backs and loins. Very small deposits of interior fat	Fair-Somewhat narrow throughout, a tendency towards depressions and hollows.
D (Black)	Youthful Large and lacking in redness		Coarse grained		Little or no outside fat-extremely small deposits inside	Poor-Low proportion of meat to bone. Pronounced hollows and depressions
E (Black)	Youthful		Coarse and Watery		No exterior fat, very little or no interior fat	Extremely poor Narrow and shallow

TABLE 12 SUMMARY OF GRADE SPECIFICATIONS FOR VEAL CARCASS GRADING SYSTEM 1979

GRADE (Brand)	QUALITY OF FLESHING		FAT COVERING (Flesh)	VISUAL APPRAISAL
	Colour of Flesh	Texture of Flesh	Distribution of Fat	Muscling
A (Red)	Pinkish grey to a darker pink.	Firm and fine grained	Fairly thick over backs and loins on heavier carcasses, proportionally less on lighter weights. Interior - large deposits.	Excellent, heavily and uniformly formed.
B (Blue)	Pinkish brown to pale red.	Moderately firm and fine grained.	Light over backs and loins on heavier carcasses to very thin on lighter carcasses. Interior moderate to small on lighter carcasses.	Good - Moderately thick especially in the loins and rounds.
C (Brown)	Slightly dark in colour.	Slightly course.	Thin small patches over backs and loins. Very small deposits of interior fate.	Fair - Somewaht narrow throughout, a tendency towards depressions and hollows.
D (Black)		Course grained.	Little or no outside fat - extremely small deposits inside.	Poor - Low proportion of meat to bone. Pronounce hollows and depressions.
E (Black)		Course and watery.	No exterior fat, very little or no interior fat.	Extremely poor. Narrow and shallow.

TABLE 13 PROPOSED VEAL CARCASS GRADING REGULATIONS NOVEMBER 1981

GRADE (Brand)	Class	QUALITY OF FLESHING		Texture of Flesh	Fat Covering	Muscling
		Color Reading	Color of Flesh			
A (Red)	1	55 or higher	Bright pinkish	moderately firm and fine grained.	Ranges from very thin over backs and loins of lighter ccs. and light on heavier ccs. Kidneys covered.	At least good. No pronounced depressions in hips & chucks with no depressions in Loins & Ribs. Better on heavier ccs.
	2	40 to 54	Pink			
	3	25 to 39	Pale red			
	4	0 to 24	Red			
B (Blue)	1	Same as for A's	Same as for A's	Slightly coarse.	Thin, small patches on backs & loins of lighter ccs & heavier deposits on heavier ccs. Kidneys small to excessive fat cover.	Depressions in the loins and hips depending on weight.
	2					
	3					
	4					
C	1	51 or more	Pink or lighter.	Coarse grained, soft & moist.	Little or no exterior fat. Extremely small deposits inside.	Excellent to deficient.
	2	50 or less	Pale red or darker			

volume handled by most HRI purveyors, it cannot assume priority status in terms of time and capital investment. Therefore, should domestic producers wish to displace imports, they must be able to provide comparable service and product specification. This, most purveyors indicated, can only be achieved by the establishment of a central slaughtering and processing facility. This facility would presumably establish viable markets for residual cuts (fronts, offals) and allow HRI purveyors to purchase directly, from a central source, custom processed hinds/saddles. Current major discrepancies in price, service, quantity and quality would hopefully be minimized.

A perceived variance in the quality of local veal is another major inhibitor to domestic purchasing. Several purveyors suggested that the local quality image suffered because of inconsistency. Inadequate grading standards, they feel, reinforce this. Many European-trained chefs and some purveyors perceive Montreal veal as a superior product. While others argue that the quality of local veal is certainly comparable to that produced in competing markets, they do conclude that the restaurant trade in general, feels that the Eastern Canadian product is lighter and better suited to their needs. One factor that reinforces the perceived quality differential between locally produced veal and that in competing markets, is the marketable identity local producers lack. Few purveyors felt they had an accurate concept of the scope of local production because their dealings with the local industry had been very fragmented (i.e. working with several individual producers on a number of unrelated occasions). Several suggested that confidence in the local industry had eroded with repeated incidents of inconsistent quality, quantity and price undercutting. There is, they feel, an immediate necessity for local producers to acknowledge that milk-fed and range/grain fed veal service two distinct clientele and should be graded, priced and marketed accordingly.

Milk-fed veal currently supplies an exclusive market. While some chefs demand "milk-fed" veal, purveyors suggest that relatively few can distinguish milk-fed from pink veal and even fewer can absorb the substantial cost differentials. Chefs who are well acquainted with the product (mostly European trained) and have flexibility to accommodate the price, form the target market for local milk-fed calf producers to penetrate. Currently the majority of this market is supplied by Eastern Canada. In order for local producers to displace these imports, it is crucial that they establish a marketable identity based on quality. In addition, they must be prepared to match the service supplied by competing markets. Carcass breakdown, consistent quality and supply are fundamental to the viability of the local milk-fed market. The premium price this product generates can only be obtained if these requirements are met. The HRI purveyor currently importing the largest volume of Montreal white veal supports development of the local market. Certainly the elevating cost of sourcing product from the other end of the country could be substantially reduced if domestic market channels could provide comparable service.

While the white veal market is relatively small but certainly attractive in terms of the premium price it can generate, the "pink" veal market is potentially much greater. New Zealand is currently the major competitive market, and again, the primary incentive for sourcing product from this market is service. The two purveyors surveyed who are currently sourcing veal from New Zealand are acting largely in a brokerage/service capacity. In other words, they are purchasing specific cuts (mostly legs and strip loins) and re-routing to end-users with minimal or no reprocessing on their part. These purveyors suggested that a substantial untapped market for "pink" veal lies in middle class restaurants, camps/airline caterers, and institutions. Many medium-priced restaurants are anxious to include veal on their menus because it enhances their quality image and generates high value-added sales. These outlets cannot afford white veal prices as most are operating on restricted profit margins, nor in many cases, do they distinguish between some of the varying quality levels in veal.

Currently, many perceive veal as a high-priced item and hesitate purchasing on this basis alone. Much of the same situation applies to camp/airline caterers and institutions. This sector of the HRI trade is extremely price conscious and currently reveals limited veal usage. Use of veal in this sector could likely be enhanced if a price - oriented marketing thrust is employed. Usage of the product would likely be in the form of cutlets, stews, sauces, etc. The institutional trade is potentially an absorbent of fronts given that this portion of the carcass is processed into bulk ground veal, stewing chunks, etc. If local producers and packers wish to tap this market, and displace existing imports, they must be prepared to develop an aggressive marketing scheme that will emphasize the lower price "pink veal" can be purchased for and the flexibility in usage the product offers. Again, fundamental to this marketing approach is the ability to provide comparable service, quality, quantity and price as that offered by competing markets.

Within the last year, significant efforts have been made by local veal producers to address the marketing issues covered in this discussion. Recently a small packing house made a commitment to slaughter local veal on a consistent basis and provide some degree of carcass breakdown for the HRI and retail markets. It is essential to establishing strong commercial marketing channels to facilitate fluid movement of local veal from the farmgate to the end user, whether it be HRI or retail. Producers can ill afford a fragmented marketing approach. It is not possible for the local veal industry to maintain a positive image with incidents of price undercutting, selling pink veal as milk-fed, selling to both packers, purveyors' and directly to the purveyors' client.

Expansion of B.C. veal production is feasible as well as potential to displace imports from competing markets given that local producers are able to successfully address the following:

(1) Clearly establish the scope of local production, the intensity, frequency and type.

(2) Distinguish white veal and grain-fed pink veal production and acknowledge the existence of two distinct clientele and market separately. The milk-fed market will require a quality based marketing thrust and the balance, a price-oriented focus.

(3) Develop a level of co-operation among local producers in order to establish a marketable identity.

(4) Establish, or co-operate with an existing packer having a federally inspected slaughtering and processing facility that will provide comparable carcass breakdown and assurance of quality to the HRI and retail trades as that provided in competing markets.

(5) Acknowledge and pursue the concept that purveyors view veal as a generator of value-added sales. As demand for veal intensifies, the HRI purveyors' ability to supply enhances his position.

(6) Consider the retail store market which chain store executives believe holds considerable potential.

Table 14

SLAUGHTER CALVES MARKETED BY PROVINCE OF ORIGIN

(Marketed at Stockyards and shipped directly to Packing Plants)

Month: December, 1981

		White Veal	Good Veal	Good Butcher	Common all Weights	Total Slaughter Calves	Delivered to Yards	Delivered to Plants
B.C.	Dec. 81	138	342	524	667	1671	---	1671
	Dec. 80	32	292	540	696	1560	1	1559
	To Date 81	2068	2162	4800	6223	15253	15	15238
	To Date 80	98	2054	4063	6284	12499	1	12498
Alta.	Dec. 81	---	97	166	477	740	94	646
	Dec. 80	24	28	86	312	450	14	436
	To Date 81	45	386	957	4489	5877	602	5275
	To Date 80	59	170	565	2263	3057	289	2768
Sask.	Dec. 81	5	81	189	463	738	231	507
	Dec. 80	1	27	115	440	583	137	446
	To Date 81	60	509	1579	3305	5453	1928	3525
	To Date 80	8	245	877	3015	4145	1179	2966
Man.	Dec. 81	---	178	319	473	970	618	352
	Dec. 80	15	209	287	676	1187	552	635
	To Date 81	304	1101	3391	4502	9298	5245	4043
	To Date 80	203	1549	2495	5497	9744	5563	4181
Ont.	Dec. 81	1600	3772	2141	6162	13675	6318	7357
	Dec. 80	1133	2948	2005	5480	11566	5443	6123
	To Date 81	14574	35600	21184	67229	138587	64068	74519
	To Date 80	14002	39190	18205	59426	130828	62346	68477
Que.	Dec. 81	---	3395	235	16965	20595	4147	16448
	Dec. 80	397	1602	323	14694	17016	3261	13755
	To Date 81	2587	32917	3025	179939	218468	39915	178553
	To Date 80	2573	31441	3951	177780	215745	36598	179147
N.B.	Dec. 81	---	2	19	43	64	---	64
	Dec. 80	---	3	6	71	80	---	80
	To Date 81	---	12	144	833	989	11	978
	To Date 80	---	30	106	742	898	19	859
N.S.	Dec. 81	---	20	---	113	133	29	104
	Dec. 80	---	14	---	63	77	22	55
	To Date 81	---	204	22	904	1130	377	753
	To Date 80	---	151	11	893	1055	245	810
P.E.I.	Dec. 81	---	---	4	68	72	---	72
	Dec. 80	---	---	---	26	26	---	26
	To Date 81	---	---	18	390	408	---	408
	To Date 80	---	---	9	283	292	8	284
NFLD.	Dec. 81	---	---	---	---	---	---	---
	Dec. 80	---	---	---	---	---	---	---
	To Date 81	---	---	---	6	6	---	6
	To Date 80	---	---	---	5	5	---	5
Can.	Dec. 81	1743	7887	3597	25431	38658	11437	27221
	Dec. 80	1602	5123	3362	22458	32545	9430	23115
	To Date 81	19638	72891	35120	267820	395469	112161	283308
	To Date 80	16943	74830	30282	256188	378243	106248	271995

Table 15

VEAL SYNOPSIS OF INTERVIEW FINDINGS

% VEAL OF TOTAL MEAT HANDLED FOR HRI SALES	SOURCE OF SUPPLY	FORM OF PURCHASE	NATURE OF CLIENTELE	FORM OF PRODUCT PRESENTATION TO CLIENTS (i.e. HRI END-USER PRODUCTS SPECIFICATIONS)
7.7%	100% Montreal	Boxed, frozen/fresh hinds/saddles milk fed/white	Exclusive Restaurants *80%, hotels (major) 10% institutions 3%, camp caterers 7% *includes fast food chains	Bone in legs, loins, portioned cutlets, steaks (some) ground
5-10%	Quebec Domestic	(White) frozen container loads, hinds Sides, carcasses (some broken hinds & quarters) (pink)	Exclusive Restaurants 6-7% middle class independent/ chain restaurants-majority 75% approx. Institutions/ camp/airline caterers- 10% hotels-10%	Racks, Saddles Tenderloins cutlets, boned shoulders- steaks, ground veal
8% (would like to expand, feels potential is strong)	Australia New Zealand	Frozen finished cuts, 80% legs, 12% strip loins, 8% tenderloins	Hotels 15% Restaurants 50% Institutions 5% Camps 30%	Reroutes purchased cuts with minimal reprocessing
30%	100% Domestic	Carcasses-whole (Mostly red/pink veal) some milk fed	Camps 20% Restaurants 40% Hotels 40%	90% semiprocessed boned/bone in hinds, legs saddles 10% portioned cutlets
5%	originally 100% domestic currently Quebec, New Zealand	carcasses whole boxed primal cuts	Hotels 40% Restaurants 40% Institutions/airlines balance	50-60% portioned cutlets boneless legs, loins, saddles
5-8%	New Zealand Eastern Canada Montreal/Toronto	boxed, frozen primal/ finished cuts	N/A	rerouting almost 100% of product form purchased to endusers

*May 1982 - Prices are estimates-subject to considerable fluctuation

Page 50 - " Color and discoloration standards for retail beef and veal" (Agriculture Canada Publication 1734) has been placed on the inside of the back cover.

IMPORT DISPLACEMENT POTENTIAL FOR B.C.'S HRI MARKET

LAMB

LAMB

Among the purveyors surveyed, lamb represented approximately 5% of total meat volume handled for HRI clientele. Estimates of monthly purchased volumes were impossible to generate as purchasing is highly vulnerable to seasonable fluctuation. New Zealand is currently the major source of supply but Superior Packing of Ellensburg, Washington is emerging as an alternative. There is apparent potential to displace a minimum of 350,000 lbs. purchased annually from New Zealand for B.C.'s HRI market. This figure is conservative given that (a) most purveyors were unable to accurately disclose imported volumes and gave instead minimum estimates and (b) while this study encompasses the major purveyors serving lamb to HRI clientele, it is by no means exhaustive. Superior Packing has very recently established itself as an alternate source and as such, it is premature to estimate import displacement potential. Currently, four of the six major purveyors handling lamb for the HRI trade are test marketing lamb from Superior Packing. Imports from Ellensburg are in the form of chilled fresh boxed primal/custom cuts (racks, loins). Some concern has been expressed by purveyors that clients will resist the U.S. product because it is a larger animal. Purveyors generally seem to feel that the quality is comparable to that of New Zealand. In the Spring of 1982, the U.S. product was averaging $1.00 per pound less on lamb racks alone and this provided incentive for many purveyors to test market the product.

The HRI market is using primarily racks and loins. Most purveyors are acting in a service/brokerage capacity for their clientele, purchasing lamb either frozen/chilled, already processed. Minimal if any reprocessing is done at the purveyors plant. Depending on the percentage breakdown of clientele, and seasonal availability, purveyors will further process primal cuts into portioned racks and chops. Lamb is a popular banquet item and during the banquet season (spring, early summer, Christmas) the incidence of portion processing by purveyors is usually higher.

The highly organized and efficient distribution channel established by the New Zealand Lamb Board in the Vancouver market places local producers at a distinct competitive disadvantage in the frozen lamb market. Production of lamb in New Zealand is highly regulated. Quality is monitored rigidly and without exception, B.C. HRI purveyors reinforced the consistent quality and uniform sizing of the product. Off-shore distribution is handled by assigned brokers in designated markets. In Vancouver, there are approximately five brokers. HRI purveyors deal directly with Vancouver brokers who store the frozen product on their premises. Purveyors are able to purchase frozen, boxed primal/custom cuts in varying volume 12 months of the year. Purveyors suggest that price is generally stable. Currently, the advantages of purchasing from Ellensburg are two-fold. The product is fresh (chilled) and cheaper. It remains to be seen whether Superior Packing will be able to establish and maintain a competitive edge in Vancouver.

Lamb has much the same appeal as veal to the HRI market. It generates high value added sales and generally enhances the quality image of restaurants when included in their menus. Many European chefs perceive B.C. lamb, unlike veal, as a superior product to that produced in competing markets. In particular, Saltspring Island lamb has an image of superior quality among Vancouver's restaurant trade. A majority of executive chefs in Vancouver's major hotels suggested that were B.C. lamb available in consistent volume on a year round basis, they would be committed to featuring it extensively. Purveyors reinforced the concept that a sizeable market for lamb exists in the HRI trade. What percentage of this can be efficiently supplied by local product is dependent on a number of factors.

Local production is currently very limited. While it is estimated that production averages 30,000 lambs annually, less than one third of this volume is slaughtered at inspected plants. There are approximately 1590 farms with sheep scattered throughout the province. Of those, approximately 11 are producing in volumes that indicate a fulltime commercial scale operation. Lambing occurs in March-April with September-October following as the major slaughter months. Currently, production costs do not justify more than one lamb crop annually for most producers. Existing inspected slaughtering facilities are concentrated in the lower mainland. This poses a problem to producers located in the northern and central interior. The time involved in assembling a container load (300 lamb) for transport to slaughter facilities on the lower mainland introduces a degree of variability in animal weights (85-115 lbs.) and subsequent dollar per pound losses.

As with veal, limited carcass breakdown occurs at slaughter facilities. As the HRI trade is using primarily racks and loins, the problem of marketing the balance of the carcasses emerges once again. Few purveyors are handling sufficient lamb volumes to justify the expense of breaking carcasses themselves and sourcing alternate markets to absorb the balance of the animal not used by their clientele. As well, supply of local lamb is currently so erratic, that establishment of market channels to distribute residual cuts is hardly practical.

Lamb is an important item on menus of both exclusive and ethnic restaurants. European-trained chefs in white cloth restaurants perceive B.C. lamb as a superior product and their main concern is for consistent quality and supply. To meet this requirement and displace a percentage of imports, existing slaughtering facilities would need to handle a limited volume of lamb on a priority basis during the marketing season. Supply

is concentrated in the autumn months and it would seem impractical to erode producer returns with storage costs. Purchases would have to be made from producers with sufficient volume to guarantee quality control and arrangments for carcass breakdown would be made through slaughterhouse or purveyor.

Institutions, airline caterers and middle-class restaurants could absorb residual lamb cuts commonly used for soups, sauces, stews and boned-out fronts for cutlets -- all of which could be frozen and marketed at attractive prices throughout the year. The quality product could demand premium prices sufficient to offset marketing of residual cuts.

The demand for lamb in ethnic restaurants is currently supplied in part by "local back-door off-the-farm sales", a difficult market to gauge and one where quality and price vary considerably. While the ethnic and the middle class market are thought to be sizeable, the potential to supply them with a domestic product is limited by the current status of the industry. Quality control is difficult to maintain since a good percentage of locally produced lamb is slaughtered at facilities other than those which are government inspected. Competition among small producers inhibits a marketable identity for the industry. In the face of these constraints the ability of local industry to displace imports is severely limited by competition from the New Zealand Lamb Board with its established efficient marketing channels.

A strong ethnic restaurant market for lamb exists alongside the exclusive restaurant group. Currently a portion of the market is supplied by "local back door off the farm sales". Given the number and scattered locale of producers of this scale, it is difficult to estimate the percentage of the market they do in fact supply. Quality varies considerably as does price, and producers of this scale form a very competitive group. While the ethnic restaurant and the non-ethnic middle class restaurant markets are thought to be sizeable, the potential to supply them with domestic product is limited

severely by the current status of the industry. Because a good percentage of locally produced lamb is slaughtered at facilities other than those inspected by federal and provincial authorities, quality control is difficult to maintain. Competition among small producers prohibits the development of a marketable identity for the industry which is fundamental to any viable promotional scheme. These constraints in the presence of the efficient market distribution channel established by the New Zealand Lamb Board restrict import displacement potentials severely in the immediate future.

In conclusion, the HRI market for lamb is considerable. In order for local producers to penetrate this market successfully over the long run, they must be prepared to address the following:

1. Accurately assess the scope of local production.
2. Develop a strong cohesive producer group that will form the basis for establishment of a marketable identity.
3. Encourage those producers who currently are operating in volumes conducive to quality-control measures to form a marketing thrust based on quality for the exclusive restaurant market. Acknowledge that this target market market already perceives the local product as superior or comparable in quality to that produced in competing markets.
4 Establish a central slaughtering and processing facility that will provide carcass breakdown comparable to that provided by New Zealand. If insufficient volumes prevent this, explore the possibility of committing an existing slaughterhouse or purveyor to provide this service during the lambing season.
5. Establish a viable means of ensuring that slaughter occurs in inspected facilites in order that market volumes and quality standards are able to be monitored by appropriate personnel.

6. Avoid trying to sell to a packer, purveyor and end-product user other than through consistently established market channels. This has been one of the largest limiting factors.
7. In order to supply the HRI trade in B.C. which consumes approximately 600,000 lbs. of lamb racks per year, the production level of B.C. producers would first have to be increased to about 150,000 lambs per year (1,030,000 lbs.).

Table 17

LAMBS MARKETED BY PROVINCE OF ORIGIN

Month: December, 1981		A & B 80+	A & B -80	New Crop	C 50+	C -50	Feeder
	Dec. 81	509	276	---	17	39	214
	Dec. 80	449	132	27	17	15	94
B.C.	To Date 81	7077	1926	445	243	293	1035
	To Date 80	6440	1074	704	275	105	829
	Dec. 81	4686	1380	---	39	203	739
	Dec. 80	3886	509	---	153	37	578
Alta.	To Date 81	45103	6690	100	997	875	7340
	To Date 80	36323	2632	622	1556	128	5835
	Dec. 81	697	336	21	5	28	11
	Dec. 80	1081	324	---	10	8	---
Sask.	To Date 81	6925	1848	90	144	484	251
	To Date 80	6591	1442	411	271	60	316
	Dec. 81	877	661	10	182	---	---
	Dec. 80	770	236	---	26	---	110
Man.	To Date 81	6196	2755	790	607	38	757
	To Date 80	4876	2664	1293	343	16	1611
	Dec. 81	2689	3965	2341	941	471	---
	Dec. 80	3306	3694	1714	283	71	---
Ont.	To Date 81	19901	27860	18187	4566	3323	21
	To Date 80	20790	21687	11588	2470	2771	131
	Dec. 81	1057	448	77	260	532	---
	Dec. 80	72	121	---	102	288	---
Que.	To Date 81	4563	5382	953	3846	5232	---
	To Date 80	531	1611	274	565	3756	136
	Dec. 81	12	101	28	---	---	---
	Dec. 80	55	235	---	205	273	---
N.B.	To Date 81	451	823	28	476	412	---
	To Date 80	212	1215	---	766	1046	---
	Dec. 81	790	186	---	77	3	---
	Dec. 80	---	127	80	---	---	---
N.S.	To Date 81	1694	1428	277	246	88	---
	To Date 80	538	970	591	30	13	---
	Dec. 81	8	7	---	9	11	---
	Dec. 80	46	19	---	1	3	---
P.E.I.	To Date 81	389	452	---	99	63	---
	To Date 80	325	315	---	16	24	---
	Dec. 81	---	---	---	---	---	---
	Dec. 80	---	---	---	---	---	---
NFLD.	To Date 81	24	178	---	2	81	6
	To Date 80	53	138	---	7	105	---
	Dec. 81	11325	7360	2477	1530	1287	964
	Dec. 80	9665	5397	1821	797	695	782
CANADA	To Date 81	92323	49342	20870	11226	10889	9410
	To Date 80	76679	33748	15483	6299	8024	8858

Table 18

SYNOPSIS OF INTERVIEW FINDINGS - LAMB

% LAMB OF TOTAL MEAT HANDLED FOR HRI SALES	SOURCE OF SUPPLY	FORM OF PURCHASE	NATURE OF CLIENTELE	FORM IN WHICH HRI END-USER PURCHASES FROM PURVEYOR
2.3%	New Zealand Ellensburg (test marketing)	Frozen boxed primal/ custom cuts (racks, loins) Chilled boxed primal/custom cuts	Hotels 10% Restaurants 80% Institutions 3% Camp catering 7%	Racks, chops, portioned boned roasts, legs, hinds reroutes good percentage as purchased direct to end users.
10% (feel this volume could be increased because of growing demand expressed by clientele)	New Zealand; Superior Meat Packers, Seattle Washington	Boxed frozen primal cuts/custom cuts (racks loins)(30,0001b. container loads at one time) Chilled sides 1½'s	75% middle class restaurants/chains 67% exclusive restrnts., balance hotels/Institns.	Portioned racks, chops, roasts. Reroutes good percentage of New Zealand product without further processin
4.5% Changes seasonally	90% New Zealand 10% Ellensburg	Frozen boxed primal/ custom cuts (racks, loins) Chilled boxed primal/custom cuts	Hotels 15% Restaurants 50% Institutions 5% Balance - camps	Reroutes 90% to end-users in form purchased 10% portioned packs/chops
5-6%	New Zealand Ellensburg Occasionally Australia & Winnipeg	Frozen boxed primal/ custom cuts, chilled boxed primal/custom cuts, Frozen boxed primal/custom cuts (quality is secondary) (Fresh chilled)	Hotels 40% Restaurants 40% Airlines 5%	Reprocesses approx. 20% into portioned chops/ racks. Balance is rerouted directly to end-users as purchas
5-7%	New Zealand	Frozen boxed primal cuts	Hotels could Restaurants not Camps breakdown	Reroutes 100% to end-users as purchased
Less than 5%	New Zealand Ellensburg (Some domestic at one time in the past)	Frozen boxed primal cuts Chilled sides/primal cuts	Camps 20% Restaurants 40% Hotels 40%	

IMPORT DISPLACEMENT POTENTIAL FOR B.C.'S HRI MARKET
PORK

PORK

Among the majority of HRI purveyors surveyed, pork represented a minimal percentage of total meat handled for HRI accounts (less than 5% in most cases). The one major exception was the HRI division of a national plant that currently has supply contracts for one major national "Chicken & Rib" restaurant chain and a number of smaller, independent restaurants featuring pork spareribs. The Vancouver HRI division is currently sourcing all of its pork requirements from the affiliate plants in Edmonton and Winnipeg. Hog sides are imported from these plants and then processed at the Vancouver facility. The Vancouver plant supplies a number of retail outlets with processed pork products and operates an extensive processing line as well.

B.C.'s hog industry has seen a significant change in recent years. As table 7B indicates, hogs slaughtered in federally inspected facilities increased from 46,123 in 1977 to 299,604 in 1981. B.C.'s largest hog slaughtering facility expanded their marketing efforts over the same period to service these increases. While the plant is currently not operating to capacity, it can accommodate slaughter of 9,000 animals weekly. This plant currently does minimal speciality carcass breakdown for the HRI market as volumes demanded do not warrant absorption of the labor and capital costs involved.

Purveyors viewed pork quality as consistent in all major supply sources, and as such use price as their primary purchasing criteria. One major pork broker supplying to HRI purveyors suggested that the B.C. HRI market shows a preference for a smaller animal. Prior to the outbreak of foot and mouth disease in Denmark in the spring of 1982, he was importing sizeable volumes. Danish hogs average 63 kilos, Canadian hogs 65 kilos, and U.S. hogs 100 kilos. Little, he feels is imported on a consistent basis from the U.S. for the HRI market because of excess fat on the animals.

Most purveyors handling pork are doing so in a service or brokerage capacity, ordering cuts specified by their clientele and rerouting with minimal or no reprocessing. Cuts specified by HRI end-users are portioned spareribs, backribs, chops and roasts. Smoked hams, bacon are not handled by all purveyors. Many end-users source these products directly themselves from plants such as Fletchers and Canada Packers.

Pork is purchased by many HRI purveyors to fill residual space on beef shipments. Therefore, purveyors prefer to deal with large vertically-integrated firms that will not only meet their pork requirements, but other meat needs as well.

Purveyors generally demonstrated little preference for "home grown B.C. pork". Producers must acknowledge that because of the small volumes purchased, and the consistent quality of pork available in B.C.'s major competing market (Alberta), price and service are the crucial purchasing requirements. To displace pork imports, producers and packers must bid for purveyor contracts at competitive prices and offer carcass breakdown and service comparable to that of existing suppliers. Present facilities are limited in B.C. for HRI market processing. As B.C. hog producers are price takers on a North American market, bidding at prices conducive to import displacement may not be profitable on a consistent basis. Higher labor and energy costs in B.C. limit the competitive advantage of local producers and packers.

Limited expansion of pork usage in the HRI trade is anticipated in the near future. Restaurants find that consumer demand for pork is relatively low and the preparation time involved too lengthy. Currently the major use of pork in restaurants/hotels/institutions/camps is in breakfast menus and pork spareribs. Some seasonal increase is observed during Easter (hams) and Christmas, however this does not warrant significant increase in purveyors' inventories. As discussed, airline usage of pork is limited.

Increased pork use is feasible in fast food restaurants given the marked growth in breakfast sales. Breakfast has recently become the fastest growing meal at fast food outlets in Canada.* Some accompanying growth in sales of processed pork products such as bacon and pork sausages is inevitable. Access to this market by B.C. producers is dependent on the capacity of existing processing facilities. Supplying the fast food market with significant volumes of consistent quality product involves development of capital intensive processing lines as discussed earlier. Only considerable sales growth of processed pork products through fast food chains would likely initiate this development.

In conclusion, given that (a) pork represents a minimal portion of meats handled for HRI accounts by most purveyors and (b) those that are purchasing appreciable volumes have well-established supply channels through vertically-integrated sources, major import displacement potential for this market appears very limited at the current time.

* The Fast Food Sector in Canada,
Brown, Charlene
Rizvi, Saiyed
Food Market Commentary, Agriculture Canada, Vol. 4 No. 3,
September 1981

TABLE 19

BRIEF SYNOPSIS OF INTERVIEWS - Pork

PORK % OF TOTAL MEAT HANDLED	SOURCE OF SUPPLY	FORM IN WHICH PURCHASED	NATURE OF CLIENTELE	FORM IN WHICH PORK IS SUPPLIED TO END-USERS	COMMENTS
2.5%	Domestic-Alberta	Boxed primal cuts (pork back spare-ribs) chips (fresh)	10% hotels 3% institutions 7% camp catering 80% restaurants (supplies two major fast food chains	Acting in service/ brokerage capacity-therefore rerouting in from purchased	Minimal for pork by HRI clientele Involvement is small Price is major pur-chasing criteria
10%	Domestic (will only purchase out of prov-ince if price is considerably less)	Boxed primal cuts/ custom cuts (fresh) (pork back spareribs, chips, roasts)	15% hotels 50% restaurants 30% camps 5% institutions	Company reprocesses approx. 20%. Reroutes balance to end-users as purchased: 50% portion cut ribs, chops, 50% roasts.	Feels local quality is comparable looking for best price. Major volum to chicken/ rib or steak rib houses. HRI market for pork is limited by consumer taste/cookin time.
Less than 3%	Domestic and as filler for Beef loads from Alta.	Boxed primal cuts custom processed spareribs, pork butts chops, roasts-fresh	40% hotels 40% restaurants (mainly exclusive) 5% institutions Balance Retail	Company acts strictly in brokerage/service capacity for pork -buys in form re-quested by end-users portioned ribs, chops	Very limite pork market among HRI trade-becaus of this, looking for best price quality is fairly con-sistent in all supply areas in-cluding domestic

Less than 5%	Alberta-Manitoba	Boxed primal custom custom cuts ribs, pork butts, chops	Could not break down clinetele	Company acts in brokerage/service capacity-minimal reprocessing on site	Feels there is limited HRI market for pork
Less than 5%	Prairies (mostly Alberta). End of Beef container loads	Boxed primal custom cuts ribs/chops	40% hotels 40% restaurants 20% camps	No reprocessing on site. Buys in form requested by clients	Acts in service capacity for pork only very minimal requirements from clientel
25%	Edmonton/Winnipeg	Because Vancouver plant has extensive hog processing line buys some portioned pork cuts mostly sides of hog which are boned, trimmed at Vancouver plant.	Major contract with large national chicken/rib chain Services several independent chicken/rib houses parent co. also supplies chicken	Portioned ribs, chops (back)	Because of contracts with chicken/rib houses pork is major component of business. Looking for freshest product available. Sources little locally because of national integration. Also acts on supply capacity to smaller purveyors.
60%	Eastern Canada United States Denmark (Limited amount from U.S. HRI trade finds animal too large in comparison to Cdn. & Danish product)	Fresh boxed back ribs, side ribs, pork butts (Fresh side/back rib from Denmark, transportation 14¢ per lb. by boat)	HRI purveyors & major retailers and brokers	Acting strictly in brokerage capacity-product usually presold before arrival in Vancouver. Generally finds HRI trade prefers smaller product.	Price is major purcriteria. Hog market strongly affected by extent of retail demand

APPENDIX

LIST OF PARTICIPANTS

Personal interviews and contributions are gratefully acknowledged from the following participants:

1) B.B. Beltons - William Lui, Chief Chef

2) B.C. Purchasing Commission - Bill Saunders

3) Canada Packers - Wayne Zinselmeyer
Sales Manager, Food Service Division

4) Carra Food Operations - Ben Jensen

5) Centennial Packers - Peter Till, Branch Manager

6) Four Seasons Hotel - Michelle Clavler, Executive Chef

7) Hotel Vancouver - Gerard Pichler, Executive Chef

8) Hyatt Regency - Ottmar Steinhart, Executive Chef

9) HRI Purveyors Ltd. - Wally Stritzel, General Manager

10) Intercity Packers Ltd. - Gary Mathies, General Manager

11) Intercontinental Packers - Ray O'Loughlin

12) J.D. Swede - Ralph Towsley

13) Laurel Meat Packers Ltd. - Gerald Pion, Owner

14) Mainland Meat Supply - Bob Conn, Owner/General Manager

15) Steve Mason - Sheep Specialist, B.C.M.A.F.

16) National Restaurant and Hotel Equipment Ltd. - Frank Ludde, President

17) Neil Peterson - Agriculture Canada

18) Richmond Packers Ltd. - Stanley Robinson, General Manager

19) SMC Meat Service Ltd. - Ingo Nitsuke, Vice President

20) Keg Restaurants

QUESTIONNAIRE / MEAT / HRI

SECTION I - COMPANY PROFILE

1) Name of Company:

2) Name of Contact:

3) Title:

4) Telephone No.:

5) Type of Organization (Packer, Broker, Slaughterhouse, Etc.):

6) B.C. owned/centralized company? Yes____ No____

7) Branch of National Firm? Yes____ No____

8) What percentage of your total business do sales to the Food Service represent?_____

9) Of this total, what percentage to:

Hotels_____

Restaurants_____

Institutions_____

Airlines/Rails_____

10) What types of meat does your company handle and what percentage of each relative to the total:

Beef_____

Veal_____

Pork_____

Lamb_____

Poultry_____

SECTION II - PURCHASING PATTERNS

1) What is your major source of supply for each of the following: (Break down percentage wise)

	B.C.				Other	
	L.M.	Interior	North	Alta.	Provinces	U.S.
Beef:						
Veal:						
Pork:						
Lamb:						
Poultry:						

2) In what form are you purchasing?

	Live	Carcass	Boxed	Loins	Other Please Specify
*Beef:					
Veal:					
Pork:					
Lamb:					
Poultry:					

-Any significant changes to this over the last five years?

3) When purchasing locally, what are your major criteria - number 1 - in order of importance?

	Quality	Price	Availability	Custom Packed	Transport
Beef					
Veal					
Pork					
Lamb					

*Specify grades of beef purchased for HRI

4) When purchasing out of province, what are your major criteria -

	Quality	Price	Availability	Custom Packed	Transport
Beef					
Veal					
Pork					
Lamb					

5) With what frequency are you purchasing?

Beef_____

Veal_____

Pork_____

Lamb_____

6) In what form are your clients, HRI end-users purchasing from you?

Elaborate on custom cutting for HRI trade.

7) What are the high demand cuts - portion control

Beef;

Pork;

Lamb;

8) Do you have any comments on potential import displacement by domestic livestock for the HRI trade? Elaborate.

SECTION III (A)

(1)

	Freshness Appearance, Taste Quality (Fat Content) (Elaborate on Back)	Availability (On Short Notice)	Price Stability	Availability in Specific Form (Specify Cut)	Specific Packaging	Other
Beef: Ground						
Portion Cut						
Ribs/Loins						
Flaked						
Veal:						
Pork: Portion Cut						
Cured Meats						
Flaked/Formed						
Other						
Lamb:						

(2) What are your customers' chief criteria when purchasing the above? List in order of importance.

QUESTIONNAIRE FOR END-USERS: (MEAT SECTION)

(1) Name of Organization:

Address:

Telephone:

Name of Contact:

Title:

(2) How many dinner meats per week?

(3) How many luncheon meats per week?

(4) How many breakfast meats per week?

(5) Who does the purchasing of meat specifically - and other goods (through a purchasing agent, hotel central purchasing committee?)

(6) How much input do you have to this process? Elaborate.

(7) Who establishes quality criterion for meat products?

(8) What quantity of each of the following are you purchasing on a weekly basis?:
(In pounds - weekly, monthly, daily, - please specify)

BEEF:

VEAL:

LAMB:

PORK:

POULTRY:

SEAFOOD:

(9) In what form are you purchasing the following? (break down by %tage)

	BOXED PRIMAL CUTS	PORTION CUT SPECIFY	SIDES	OTHER SPECIFY
BEEF:				
VEAL:				
LAMB:				
PORK:				
POULTRY				

(10) Do you specify the origins of the meat products - if so please indicate and explain why. (perceived quality difference)

	ALTA	B.C.	OTHER	U.S.	MONTREAL	N.Z.
BEEF:						
VEAL:						
PORK:						
POULTRY:						
LAMB:						

(11) When purchasing each of the following, what are your major quality criterion? (Grades, marbling, fat content, cuts - colour - elaborate)

BEEF:

VEAL:

PORK:

POULTRY:

LAMB:

Who supplies your meat? One regular supplier, several, - does this change regularly? - why?

(11) continued

What are your feelings about local products - specify; quality, price, availability.

BEEF:

PORK:

VEAL:

LAMB:

POULTRY:

(IV) What constraints are there to purchasing locally?

Agriculture Canada

Publication 1734

Color and discoloration standards for retail beef and veal

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Importance of color

The color of retail beef and veal is a major attribute of quality, influencing consumer selection. Significant deviation from the most acceptable color, or the appearance of undesirable surface discoloration, or both, can result in losses to the industry. Consequently, methods of evaluating color and determining its relationship to consumer acceptance of retail beef are important concerns.

Determinants of color

Beef muscle contains two natural pigments (myoglobin and hemoglobin), which give it its characteristic color. Of these pigments, alterations in the chemical state of myoglobin have the most influence. In the absence of oxygen, myoglobin exists in a reduced state and as a result, freshly cut beef appears purplish red. When it is exposed to air, beef usually becomes bright cherry red within 15–30 minutes as a result of the unstable combination of oxygen and myoglobin, which form oxymyoglobin. Consumers usually find cherry red the most desirable color for beef. However, preferences for color can vary among individuals and populations.

The color of beef and veal is subject to considerable variation as a result of preslaughter effects, including animal stress, maturity, and intermuscular variation. In addition, postmortem effects, such as extent of bacterial contamination, time and temperature of storage, relative humidity, packaging, and retail display lighting, contribute to differences in muscle color.

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Normes de couleur et de décoloration pour le bœuf et le veau vendus au détail

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Importance de la couleur

La couleur est, pour les consommateurs, un des principaux indicateurs de la qualité du bœuf et du veau vendus au détail. Cette industrie risque donc de subir des pertes si la couleur de la viande est différente de celle qui est la plus acceptable et/ou si la viande est décolorée à la surface. De là l'importance des méthodes d'évaluation de la couleur du bœuf vendu au détail et du rôle que joue ce facteur dans le choix des consommateurs.

Facteurs influant sur la couleur

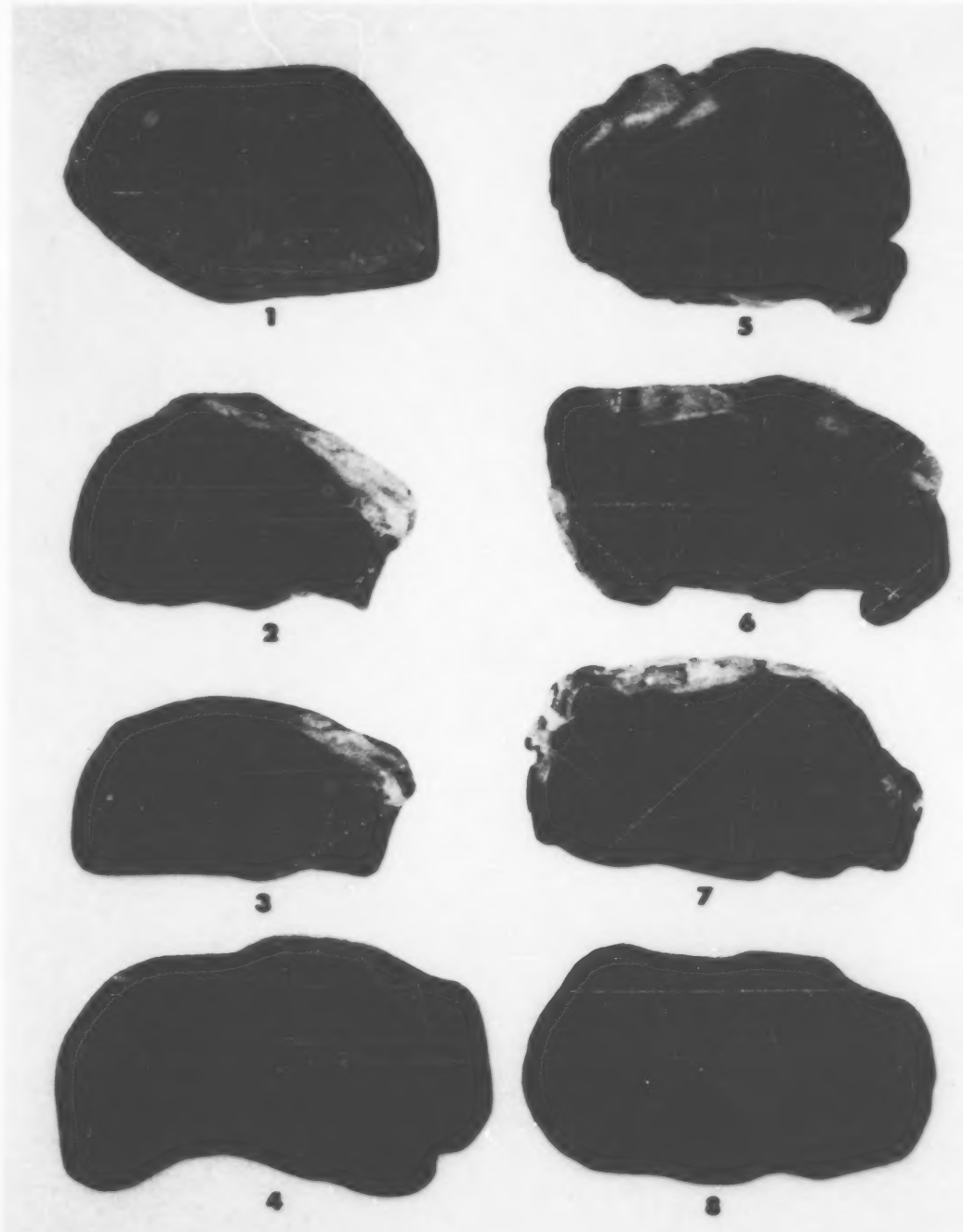
Le muscle du bœuf contient deux pigments naturels (la myoglobine et l'hémoglobine) qui lui donnent sa couleur caractéristique. Ce sont toutefois les modifications de l'état chimique de la myoglobine qui ont le plus d'influence. En l'absence d'oxygène, la myoglobine existe à l'état réduit; voilà pourquoi le bœuf fraîchement coupé est de couleur rouge violacé. Lorsqu'il est exposé à l'air, le bœuf devient généralement d'un rouge cerise vif en l'espace de 15 à 30 min, à cause de la combinaison instable de l'oxygène et de la myoglobine donnant de l'oxymyoglobine. Cette couleur rouge cerise est d'habitude celle qui plaît le plus aux consommateurs. Toutefois, les préférences quant à la couleur peuvent varier selon les individus et les populations.

La couleur du bœuf et du veau varie considérablement selon les conditions qui existent avant l'abattage, notamment le stress de l'animal, sa maturité et les variations intermusculaires. En outre, les effets postmortem, comme la contamination bactérienne, le moment et la température de l'entreposage, l'humidité relative, l'emballage et l'éclairage que choisit le détaillant pour son étalage peuvent changer la couleur du muscle.

Voir la dernière page

Scales for the photographic representation of beef and veal color and discoloration

Échelles photographiques d'évaluation de la couleur et de la décoloration du bœuf et du veau.



Color standards for retail beef and veal

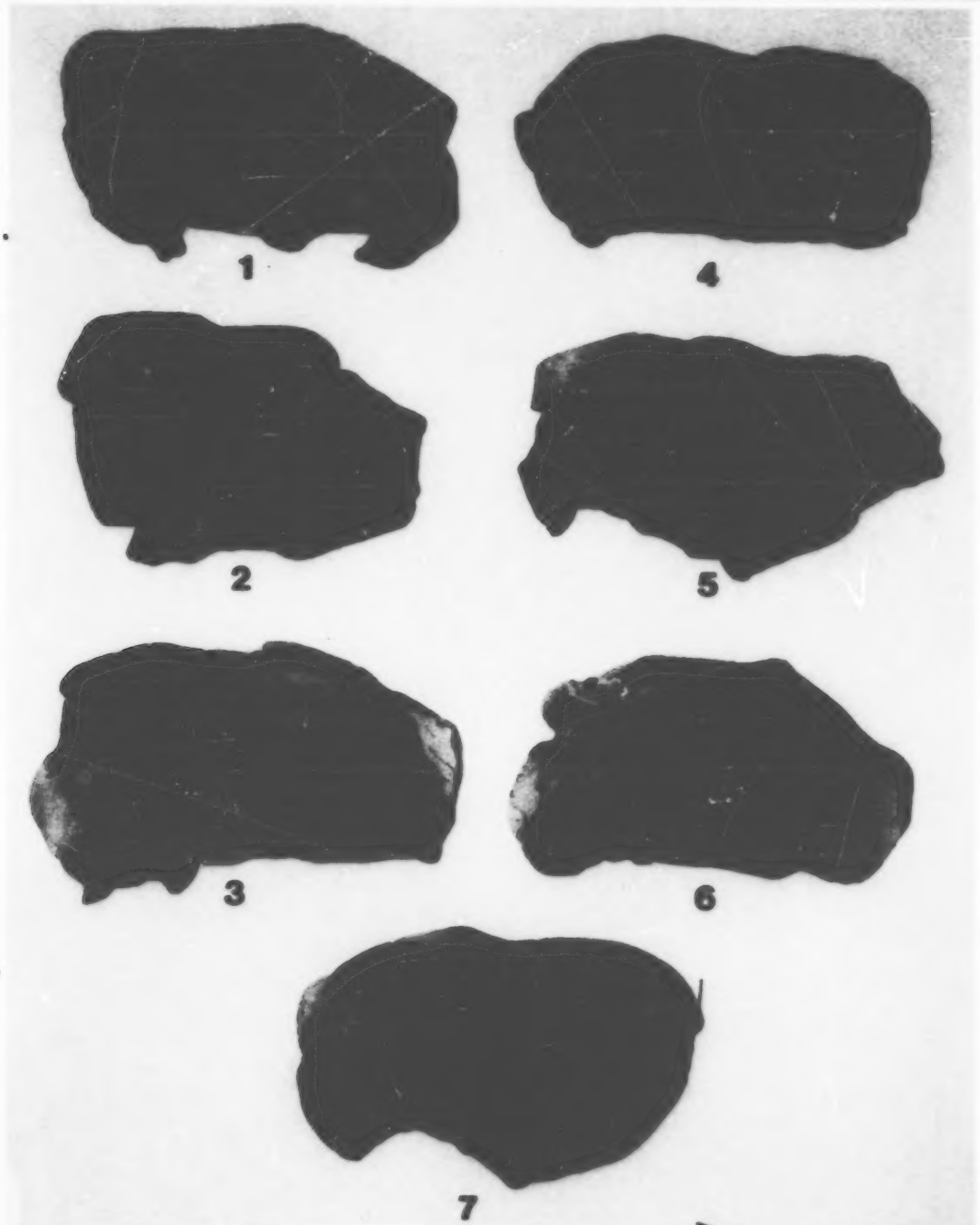
Normes de couleur pour le bœuf et le veau vendus au détail.

COLOR SCALE

1 White
2 Pale pink
3 Pink
4 Pale red
5 Bright cherry red
6 Slightly dark red
7 Moderately dark red
8 Extremely dark red

ÉCHELLE DE COULEUR

1 Blanc
2 Rose pâle
3 Rose
4 Rouge pâle
5 Rouge cerise vif
6 Rouge légèrement foncé
7 Rouge moyennement foncé
8 Rouge très foncé



Discoloration standards for retail beef and veal

Normes de décoloration pour le bœuf et le veau vendus au détail.

DISCOLORATION SCALE

1 No surface discoloration
2 1–10% surface discoloration
3 11–25% surface discoloration
4 26–50% surface discoloration
5 51–75% surface discoloration
6 76–99% surface discoloration
7 Complete surface discoloration

ÉCHELLE DE DÉCOLORATION

1 Pas de décoloration en surface
2 De 1 à 10% de décoloration en surface
3 De 11 à 25% de décoloration en surface
4 De 26 à 50% de décoloration en surface
5 De 51 à 75% de décoloration en surface
6 De 76 à 99% de décoloration en surface
7 Décoloration complète de la surface

Evaluation of color

The evaluation of beef and veal color is affected by a combination of factors, including moisture on the surface of meat, quantity and distribution of marbling (intramuscular fat), type and intensity of display lighting, color sensitivity of the consumer, and a variety of psychological factors. Colorimeters tend to average the color of the packaging and the meat; they are affected by moisture on the surface; and they fail to account for human color perception. It is therefore impossible, to obtain an accurate objective measure of color. For this reason, the photographic scale provided in this publication to help in the evaluation of beef and veal color.

...ration

...ish or brownish green surface discoloration is caused by the oxidation of myoglobin to metmyoglobin, a chemically stable combination of oxygen and myoglobin. The growth of bacteria on the surface of meat greatly accelerates the rate of myoglobin oxidation; the extent of bacteria-induced surface discoloration is therefore directly related to consumer acceptance of retail beef and veal. Thus, proper sanitary conditions during processing, from the time of exsanguination to retail display, are important in reducing bacterial contamination and delaying the development of surface discoloration. Also, proper temperature control in the retail display counter reduces the growth rate of bacteria and maintains the desirable appearance of beef and veal for extended periods of time. Other factors that may contribute to surface discoloration include type and intensity of lighting in the retail display counter, oxygen and moisture-vapor transmission rates of the plastic film used for packaging, and cross contamination of salt from cured-meat processing or by sanitizer residues. The discoloration scale provided in this publication was developed in an attempt to standardize the visual evaluation of surface discoloration.

Acknowledgment

The authors gratefully acknowledge the assistance of the late Leon Jarmoluk for the photographic reproduction of retail beef color and surface discoloration.

Évaluation de la couleur

L'évaluation de la couleur du bœuf et du veau dépend d'une combinaison de facteurs; notamment l'humidité à la surface de la viande, la quantité et la répartition de la graisse intramusculaire, le type et l'intensité de l'éclairage de l'étalage, la sensibilité du consommateur à la couleur et divers facteurs psychologiques. Les colorimètres tendent à donner une lecture moyenne de la couleur de la graisse intramusculaire et celle de la viande. Leurs résultats sont en outre faussés par l'humidité à la surface de la viande et ne tiennent pas compte des facteurs humains qui entrent en jeu dans la perception de la couleur. Il est donc difficile, voire impossible, d'obtenir une mesure objective précise de la couleur de la viande. C'est pourquoi, l'échelle photographique de couleurs donnée dans le présent dépliant sera utile dans l'évaluation subjective de la couleur du bœuf et du veau.

Décoloration de la surface

La décoloration brune ou brun verdâtre de la surface est due à l'oxydation de la myoglobine en méthémoglobine (combinaison chimique stable de l'oxygène avec la myoglobine). La multiplication des bactéries à la surface de la viande accélère considérablement cette oxydation. L'étendue de la décoloration d'origine bactérienne influe directement sur l'appréciation que fait le consommateur du bœuf et du veau vendus au détail. Dès lors, il est important de prendre les mesures sanitaires voulues, de l'exsanguination jusqu'à la vente au détail, pour limiter la croissance bactérienne et retarder la décoloration. En outre, le maintien d'une température adéquate dans l'étalage du détaillant jouera le même rôle. Le type et l'intensité de l'éclairage que détermine le détaillant pour son étalage, les taux de transmission de l'oxygène et de l'humidité à travers les plastiques d'emballage et la contamination par le sel lors de la salaison ou par les résidus de désinfectants sont autant d'autres facteurs qui peuvent influer sur la vitesse de décoloration. Nous avons élaboré l'échelle de décoloration pour uniformiser l'évaluation visuelle de la décoloration en surface.

Remerciement

Les auteurs tiennent à remercier le regretté M. Léon Jarmoluk pour sa contribution à la préparation des photographies des échelles de couleur et de décoloration du bœuf au détail.

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QUALITY

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